

This Listing Statement is compiled by the Exchange from documents filed by the Company in making application for listing. It is issued for the information of members, member firms and member corporations of the Exchange. It is not and is not to be construed as a prospectus. The Exchange has received no consideration in connection with the issue of this Listing Statement other than the customary listing fee. The documents referred to above are open for inspection at the general office of the Exchange.

LISTING STATEMENT No. 1986

LISTED JANUARY 22nd, 1958  
1,130,378 shares without par value  
Ticker abbreviation NNG  
Post section 6.6  
Dial ticker number 344

## TORONTO STOCK EXCHANGE

FEB 6 1958

### LISTING STATEMENT

## NORTHERN ONTARIO NATURAL GAS COMPANY LIMITED

An operating company incorporated under the laws of the Province of Ontario by Letters Patent dated May 6, 1954.

### SHARES WITHOUT PAR VALUE

(Transferable in Toronto, Montreal, Vancouver and New York)

### CAPITAL SECURITIES AS AT JANUARY 1, 1958

	AUTHORIZED	ISSUED AND OUTSTANDING	TO BE LISTED
<b>DEBENTURES</b>			
5¾% Subordinated Debentures due 1982.....	\$8,000,000 (1)	\$8,000,000	Nil.
<b>STOCK</b>			
Shares without par value .....	2,000,000 shs.	1,130,378 shs. (1) (2)	1,130,378

(1) The Debentures and 400,000 Shares were issued on June 20, 1957 in Units each consisting of a \$20 principal amount Debenture and one Share. The 400,000 Shares forming part of the Units of Debentures and Shares were deposited with National Trust Company, Limited, as Depositary pursuant to a Deposit Agreement between the Company and National Trust Company, Limited. Prior to the close of business on January 6, 1958, the Depositary mailed to each registered holder of a Debenture of record at the close of business on January 1, 1958, one Share for each \$20 principal amount of Debentures held by him, pursuant to the provisions of such Deposit Agreement.

(2) 730,378 of the 1,130,378 outstanding Shares were outstanding prior to the issue of Debentures and Shares referred to in (1) above.

January 20, 1958.

#### 1. APPLICATION

Northern Ontario Natural Gas Company Limited (herein sometimes called the "Company") hereby makes application for listing on the Toronto Stock Exchange of 1,130,378 shares without par value in the capital of the Company, all of which are issued and outstanding as fully paid and non-assessable.

#### 2. REFERENCE TO PROSPECTUS

Reference is made to the attached Prospectus issued by the Company under date of June 4, 1957, in respect of the offering of \$8,000,000 aggregate principal amount 5¾% Subordinated Debentures due 1982 and 400,000 shares without par value in the capital of the Company, a copy of which Prospectus is hereby incorporated herein and made a part hereof.

#### 3. OPINION OF COUNSEL

Messrs. McCarthy & McCarthy, 330 University Avenue, Toronto, Ontario, Counsel for the Company, are filing in support of this application an opinion stating among other things, that (i) the Company is a duly incorporated, organized and subsisting corporation in good standing under the laws of the Province of Ontario, and (ii) the authorized capital of the Company consists of 2,000,000 shares without par value of which 1,130,378 shares have been validly issued and are outstanding as fully paid and non-assessable. Beverly Matthews, Q.C., a partner in Messrs. McCarthy & McCarthy, is a director of the Company.

#### 4. LISTING ON OTHER STOCK EXCHANGES

The Company has made application to list the 1,130,378 shares without par value in the capital of the Company on the Vancouver Stock Exchange.



5. STATUS UNDER THE SECURITIES ACT

The offering of \$8,000,000 aggregate principal amount 5¾% Subordinated Debentures due 1982 and 400,000 shares without par value in the capital of the Company referred to in paragraph 2 hereof and in the Prospectus attached hereto was qualified for sale to the public in the Provinces of Ontario, Quebec, Nova Scotia, New Brunswick, Manitoba, Saskatchewan, Alberta and British Columbia in Canada and in the United States of America.

6. FISCAL YEAR

The fiscal year of the Company ends on December 31 in each year.

7. ANNUAL MEETING

The annual meeting of shareholders may be held at such place within Ontario or in the cities of Edmonton or Calgary in the Province of Alberta and the city of Vancouver in the Province of British Columbia at such time and on such day in each year as the Board of Directors or the President or a Vice-President, who is a Director, may from time to time determine. The last annual meeting was held on February 26, 1957.

8. HEAD OFFICE

The head office of the Company is at 170 University Avenue, Toronto, Ontario.

9. TRANSFER AGENT AND REGISTRAR

National Trust Company, Limited, at its offices in the cities of Toronto, Montreal and Vancouver, is the Transfer Agent and Registrar for the Shares of the Company in Canada and Chemical Corn Exchange Bank and Guaranty Trust Company of New York at their respective principal offices in The City of New York, New York, are the Transfer Agent and Registrar, respectively, for the Shares of the Company in the United States.

10. TRANSFER FEE

No fee is charged on the transfer of the shares without par value other than customary stock transfer taxes.

11. AUDITORS

The auditors of the Company are Messrs. Riddell, Stead, Graham & Hutchison, Chartered Accountants, 66 King Street West, Toronto, Ontario.

12. DIRECTORS

Charles Spencer Clark .....Executive .....1108 McGilvra Boulevard, Seattle, Washington.  
Matthew Clifford Deans .....Investment Dealer .....71 Baby Point Crescent, Toronto, Ontario.  
Leonard Dickson .....Investment Banker .....Box 274, R.D. 3, Newton, New Jersey.  
Ralph Keirstead Farris .....Executive .....3751 Granville Street, Vancouver, British Columbia.  
John Lauchlan Farris, Q.C. ....Barrister .....510 West Hastings, Vancouver 2, British Columbia.  
Beverley Matthews, Q.C. ....Barrister .....45 Ardmore Road, Toronto 10, Ontario.  
Frank S. Welters .....Executive .....7011 Marguerite Street, Vancouver, British Columbia.

OFFICERS

Ralph Keirstead Farris .....President .....3751 Granville Street, Vancouver, British Columbia.  
Charles Spencer Clark .....Executive Vice-President 1108 McGilvra Boulevard, Seattle, Washington.  
Harold Edwin Andrews .....Secretary-Treasurer .....30 Delwood Drive, Toronto 16, Ontario.

CERTIFICATE

PURSUANT to a resolution duly passed by its Board of Directors, the applicant Company hereby makes application for listing of the above mentioned securities on the Toronto Stock Exchange and the undersigned officers hereby certify that the statements and representations made in this application and in the documents submitted in support thereof are true and correct.

NORTHERN ONTARIO NATURAL GAS COMPANY LIMITED



"RALPH K. FARRIS", President  
"H. E. ANDREWS", Secretary

STATEMENT SHOWING NUMBER OF SHAREHOLDERS

Distribution of Common stock as of January 1st, 1958.

Number	Shares
6944 Holders of 1 — 100 share lots.....	210,925
438 " " 101 — 200 " " .....	73,101
132 " " 201 — 300 " " .....	35,442
63 " " 301 — 400 " " .....	23,477
76 " " 401 — 500 " " .....	37,037
109 " " 501 — 1000 " " .....	83,134
129 " " 1001 — up " " .....	667,262
7891 Stockholders	Total shares.. 1,130,378



# Northern Ontario Natural Gas Company Limited

(Incorporated under the laws of the Province of Ontario)

\$8,000,000

5 $\frac{3}{4}$ % Subordinated Debentures due 1982

400,000 Common Shares

(without par value)

The Debentures and the Common Shares are offered in Units, each consisting of a Debenture of \$20 principal amount and one Common Share. The Common Shares will be deposited with the Depositary under the Deposit Agreement referred to in this prospectus under the heading "Offering of Units". The Common Shares will not be transferable separately until January 2, 1958.

Principal and half-yearly interest (June 1 and December 1) on the Debentures will be payable in lawful money of Canada, in Canada at any branch (far northern branches excepted) of the chartered bank to be designated in the Debentures and in the United States at the principal office of Bankers Trust Company in New York City. Debentures on original issue will be in fully registered form in denominations of \$20 and in multiples thereof and will be exchangeable, after January 2, 1958, for coupon Debentures in bearer form in the denominations of \$500 and \$1,000.

The Debentures will be redeemable, at the option of the Company in whole at any time or in part from time to time, or for sinking fund purposes, on not less than 30 days' notice, at the principal amount thereof together with accrued interest to the date specified for redemption.

The Company will covenant to establish a sinking fund for the Debentures and to pay to the Trustees on or before May 31, in each of the years 1963 to 1981 inclusive, an amount, subject to the limitations set out in this prospectus under the sub-heading "Sinking Fund Provisions" under the heading "Description of Subordinated Debentures", equal to the smaller of (a) \$150,000 in each of the years 1963-1967 inclusive, \$250,000 in each of the years 1968-1977 inclusive, and \$400,000 in each of the years 1978-1981 inclusive, or (b) 50% of Sinking Fund Net Income (as defined in this prospectus under the said sub-heading).

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*Trustees for Debentures*

National Trust Company, Limited:  
Montreal, Toronto and Vancouver

Bankers Trust Company:  
New York

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*Transfer Agents for Shares*

National Trust Company, Limited:  
Montreal, Toronto and Vancouver

Chemical Corn Exchange Bank:  
New York

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*Registrars for Shares*

National Trust Company, Limited:  
Montreal, Toronto and Vancouver

Guaranty Trust Company of New York:  
New York

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PRICE \$30 PER UNIT

and accrued interest on the Debentures

Application has been made to list the outstanding Common Shares on The Toronto Stock Exchange and The Vancouver Stock Exchange and to list on such Exchanges the shares included in the Units upon notice of availability of separate certificates therefor.

The Units are being offered for sale in Canada by the Canadian Underwriters and other Canadian investment dealers, acting as principals, and in the United States by the United States Underwriters, acting as principals, subject to prior sale, if, as and when issued by Northern Ontario Natural Gas Company Limited and accepted by us and subject to the approval of all legal matters on behalf of the Company by Messrs. McCarthy & McCarthy, Toronto, Ontario, and Messrs. Cravath, Swaine & Moore, New York, New York, and on our behalf by Messrs. Borden, Elliot, Kelley, Palmer & Sankey, Toronto, Ontario, and Messrs. Winthrop, Stimson, Putnam & Roberts, New York, New York.

It is expected that Units in definitive form will be available for delivery on or about June 20, 1957.



This Prospectus does not constitute an offer by the Company or by any Underwriter to sell securities in any province or state to any person to whom it is unlawful for the Company or such Underwriter, respectively, to make such offer in such province or state.

No dealer, salesman or any other person has been authorized to give any information or to make any representation, other than those contained in this Prospectus, in connection with any offer contained in this Prospectus and if given or made, such information or representation must not be relied upon as having been authorized by the Company or by any of the Underwriters.

Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Company since the date hereof.

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### THE CANADIAN STATUTORY INFORMATION COMMENCES ON PAGE 32.

Northern Ontario Natural Gas Company Limited (hereinafter called the "Company") has filed with the Securities and Exchange Commission, Washington, D. C., a Registration Statement (herein together with all amendments thereto called the "Registration Statement") under the United States Securities Act of 1933, as amended, relating to the securities offered hereby. For further information reference is made to the Registration Statement and to the exhibits thereto, copies of which are on file at the head office of the Company in Toronto, Ontario. The statements contained in this Prospectus as to the contents of any contract or other document referred to are not necessarily complete, and whenever a copy of such contract or other document is filed as an exhibit to the Registration Statement, each such statement is deemed to be qualified and amplified in all respects by the contract or other document so filed.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE UNITS AND OF THE COMMON SHARES OF THE COMPANY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.



The Company is a corporation organized under the laws of the Province of Ontario, Canada, and some of its directors and officers and the experts named herein are citizens and residents of Canada. As a result, it may be difficult for investors to effect service on the Company or such directors, officers and experts, within the United States or to realize in the United States upon judgments of courts of the United States, predicated upon civil liabilities under the Securities Act of 1933, as amended. The Company is advised by its Canadian counsel that there is substantial doubt as to the enforceability in Canada of liabilities predicated solely upon the Securities Act of 1933, as amended, and that, in their opinion, if any such liabilities were incurred by any officer or director of the Company, Canadian courts would permit the Company to indemnify such officer or director against such liabilities in accordance with the Company's By-laws, provided that such liabilities were not incurred by such officer or director with respect to acts on his part which were fraudulent or criminal under Canadian law.

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Unless otherwise indicated, all dollar amounts in this Prospectus are stated in Canadian dollars.

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### THE COMPANY

The Company was incorporated on May 6, 1954, under the laws of the Province of Ontario, for the purposes of constructing and operating natural gas distribution facilities and distributing natural gas for industrial, commercial and residential use in communities located in the Province of Ontario in an area extending about 1,100 miles from a point near the Manitoba-Ontario border to a point about 65 miles north of Toronto.

Under the Construction Program to be financed in part out of the proceeds of the securities offered hereby as described below under "Application of Proceeds—Construction Program", the Company proposes to construct or provide for the construction of natural gas distribution facilities in 34 communities in Ontario located along or in the general vicinity of the proposed route of the natural gas transmission pipeline which is to be owned or leased and operated by Trans-Canada Pipe Lines Limited (hereinafter sometimes called Trans-Canada), a non-affiliated corporation.

The Company has contracted to purchase natural gas from Trans-Canada, at various points in Ontario along Trans-Canada's pipeline route, for distribution by the Company and by Twin City Gas Company Limited, an Ontario corporation (hereinafter called Twin City), of which 50% of the outstanding stock is owned by the Company.

### TERRITORY TO BE SERVED

The 34 communities which the Company and Twin City propose to serve are all located in the Province of Ontario, which as a whole had a population increase of approximately 34% between 1941 and 1955. As indicated below, these communities have an estimated current population of approximately 306,000, representing an increase of about 41% over the 1941 population. Industrial activities located in the proposed service areas include copper, nickel and iron mining and smelting, lumber, pulp and paper manufacture and other light and heavy industries. Among the concerns which are potential customers are Abitibi Power & Paper Company, Limited, and its subsidiary, Provincial Paper Limited; Canadian Car Company Limited; International Nickel Company of Canada, Limited; Spruce Falls Power and Paper Company, Limited, a subsidiary of Kimberly-Clark Corp.; Ontario-Minnesota Pulp and Paper Company, Limited; Dryden Paper Company, Limited; The Great Lakes Paper Company, Limited; Canadian Johns-Manville Co. Limited; Port Arthur Shipbuilding Company, Limited; St. Lawrence Corporation Limited; Hill-Clark-Francis, Limited and Wabi Iron Works Limited.

As indicated on the accompanying map of the proposed service areas, the Company groups the communities to be served into three zones corresponding to the territorial divisions on which Trans-Canada's rate zones are based. Certain information with respect to said communities is as follows:



Kenora is the site of a plant of Ontario-Minnesota Pulp and Paper Company, Limited, and a divisional headquarters of Canadian Pacific Railway Company, which together regularly employ about 1,200 people. In Keewatin, a suburb of Kenora, the principal industry is a saw mill. Keewatin and Kenora are the center of the "Lake of the Woods" recreational area. The total current population of the two communities of about 12,000 is increased to approximately 15,000 during the summer months.

Dryden, which has a population of about 5,000, is a trading center for an immediate area of 8,000 people. Its principal industry is the kraft paper mill of the Dryden Paper Company Limited, which employs 550 regular and 300 seasonal workers.

The "Twin Cities" of Fort William and Port Arthur form one of the largest pulp and paper centers in the world and constitute the junction point for rail and water transportation between eastern and western Canada. The area is the principal Canadian grain shipment center and has recently been growing as a service center for expanding iron ore and uranium concentrate operations. In addition to four pulp and paper mills, the area is the site of plants of Canadian Car Company Limited and Port Arthur Shipbuilding Company, Limited. The combined present population of the two communities is about 77,000.

The communities of Red Rock, Nipigon and Geraldton, which have a combined present population of approximately 7,300, are in the center of a large pulpwood area. A pulp and paper mill of St. Lawrence Corporation Limited is located at Red Rock.

Hearst, Kapuskasing, Smooth Rock Falls, Cochrane, Iroquois Falls and Ansonville have a combined present population of about 17,400. Three pulp and paper plants are the dominant support of the economy of the area: the plant of Spruce Falls Power and Paper Company, Limited at Kapuskasing, a bleached sulphite pulp mill of Abitibi Power & Paper Company, Limited at Smooth Rock Falls and a newsprint mill of Abitibi at Iroquois Falls. Cochrane is a service center for this area and is a junction point of the Canadian National Railway and the Ontario Northland Railway.

Timmins and the neighboring communities of Schumacher, Porcupine and South Porcupine are the center of the "Porcupine" mining area. The four communities have an estimated current population aggregating about 36,300 and serve a mining and lumbering area of about 50,000 population.

In the Kirkland Lake area are the communities of Matheson, Ramore and Kirkland Lake, which have a combined present population of approximately 19,600. Kirkland Lake is the center of the Kirkland Lake gold mining area and serves a trading population of about 50,000. Near Matheson is an asbestos mine and a processing plant of Canadian Johns-Manville Co. Limited.

Englehart, New Liskeard, Haileybury and Cobalt have a combined present population of approximately 10,500 and service a mining, lumbering and agricultural area. At New Liskeard are located the lumber and millwork plant of Hill-Clark-Francis, Limited and the foundry of Wabi Iron Works Limited.

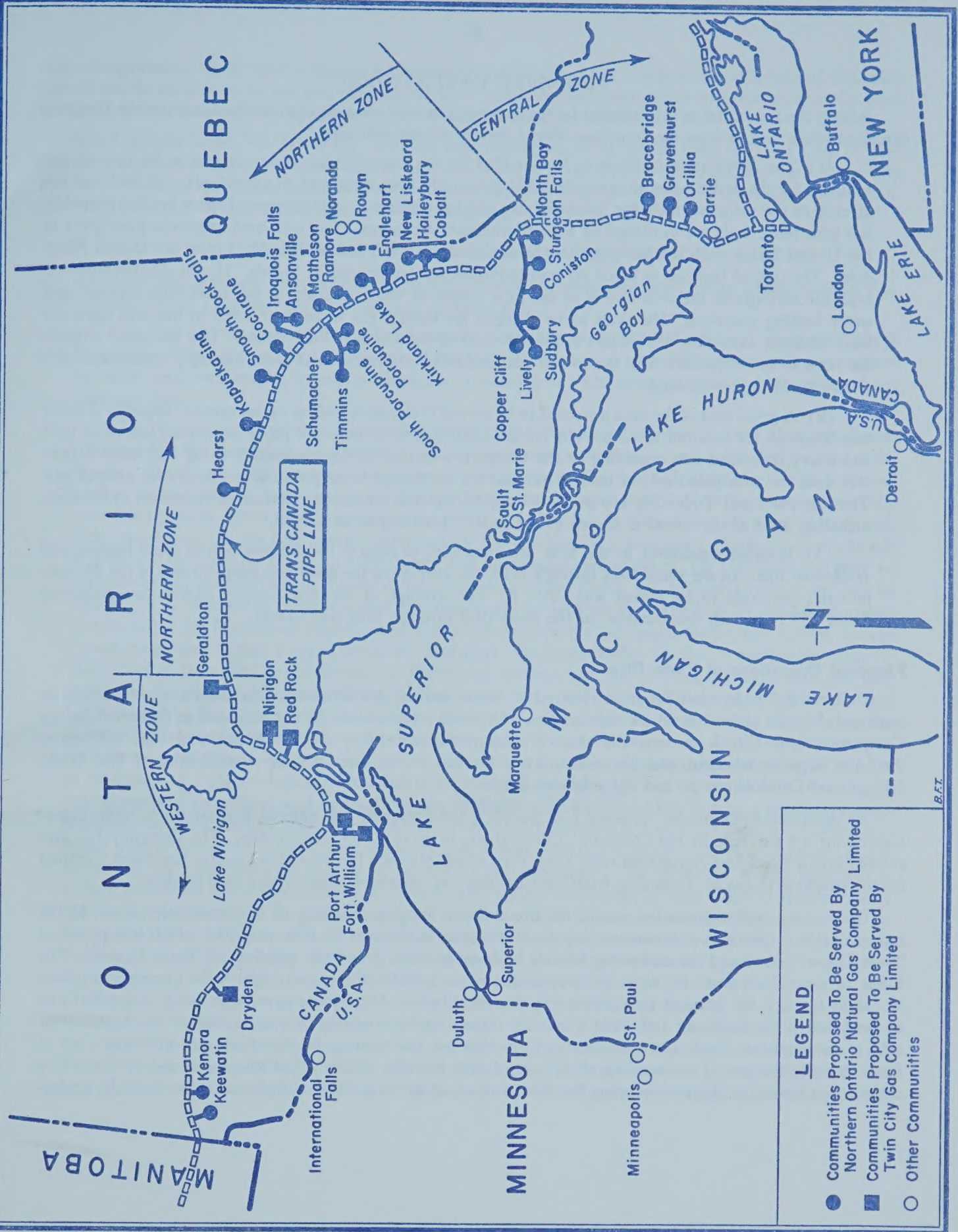
North Bay, the gateway to northern Ontario, with a present population of about 21,700, is an important distribution point and light manufacturing center. It is a divisional point on the Canadian National, the Canadian Pacific and the Ontario Northland railways and a junction point of the Trans-Canada Highway and two provincial highways.

Sturgeon Falls, about 25 miles west of North Bay, has a present population of approximately 5,700. Its principal industry is a corrugated board mill and the hardboard mill of Abitibi Power & Paper Company, Limited.

The Sudbury district produces a major part (about 85% in 1956) of the "free world's" nickel, as well as substantial quantities of copper and precious metals. In Sudbury and the communities of Copper Cliff, Coniston and Lively, which the Company proposes to serve, International Nickel Company of Canada Limited has a nickel smelter, a copper refinery and an iron ore pelletizing plant. The present populations of those four communities aggregate approximately 74,400.

Bracebridge, Gravenhurst and Orillia have a combined present population of approximately 19,400. Orillia, the largest of these three communities, is an important center for the manufacture of heavy mining equipment, marine engines, farm machinery, steel castings and other products. All three communities are in lake resort areas within 120 miles from Toronto.







## PROPOSED OPERATIONS

Among the factors taken into account by the Company in determining to initiate the Construction Program described below and to issue the securities offered hereby are the following:

(1) The distribution facilities to be provided by the Construction Program will make natural gas available for the first time in an area which has previously been restricted to other fuels. Oil and coal are at present the principal fuels for industrial use and for residential and commercial space heating purposes, but both those fuels are burdened by high transportation charges. The coal used originates principally in the United States, with smaller quantities from Canada and still smaller quantities from the United Kingdom. The cost of fuel oils is based on transportation from refineries at Sarnia. Hydro-electric power is available throughout the area and is in use as a source of heat particularly for residential cooking and water heating purposes. The rates to be charged for natural gas to be distributed in the area have not been finalized, since they are subject to the approval of the Ontario Fuel Board. The Company expects the rates to be competitive with the cost of coal and oils for industrial and space heating purposes and with electricity for water heating.

(2) A great deal of the area proposed to be served is characterized by varied mineral deposits. Timber stands stretch for hundred of miles. The related mining, lumber, pulp and paper industries, and other light and heavy industries are, according to the Company's market surveys, presently using fuel more expensive than the anticipated cost of natural gas and are considered to be potential customers for natural gas. The Company and Twin City are presently negotiating with a number of industrial customers in the area, including most of the concerns named above under "Territory to be Served."

(3) Weather conditions in the area are conducive to sales of fuel for commercial space heating and residential use. In the years 1921 through 1956, the average of the minimum temperatures in the 34 communities proposed to be served was -29° F. The average of the total annual degree day deficiency below 65° F. in such communities for the years 1947 through 1956 was 10,600.

### Proposed Operations of Twin City

Under the Construction Program referred to below, natural gas distribution facilities are proposed to be constructed in the above named 34 communities. Of those communities, 28 are proposed to be served by the Company. Twin City is to serve the other 6 communities, consisting of Port Arthur and Fort William at the Lake Superior lakehead, and the community of Dryden to the west and the communities of Red Rock, Nipigon and Geraldton to the east of the lakehead cities.

As described below under "Natural Gas Supply", the Company has entered into contracts with Trans-Canada for the purchase by the Company of natural gas to serve all 34 communities. The Company has also entered into a Precedent Agreement with Twin City which provides for the execution of a Gas Sales Contract for the purchase of gas by Twin City from the Company, as described below under said heading.

Of the estimated construction cost of the Construction Program covering all 34 communities, about 15.7% represents the estimated cost of constructing the distribution facilities in the 6 communities which it is proposed Twin City will serve and the connecting laterals to those facilities from the pipeline of Trans-Canada. The funds to cover such costs for those 6 communities are included in the amounts which the Company proposes to obtain through the issue of its securities as described below. No definite agreement has been entered into as yet between the Company and Twin City with respect to the financing of construction of the facilities for said 6 communities. Such arrangements may provide for the loaning by the Company to Twin City of funds to cover the cost of constructing all or part of such facilities, which would then be owned by Twin City subject to a mortgage thereon securing the Company's loan to Twin City, or for some other mutually accept-



able arrangements. It is the Company's intention that the nature of the arrangements adopted and the terms thereof will be such as to be fair and equitable to both companies and satisfactory to purchasers of the First Mortgage Bonds which the Company proposes to issue as described below.

The Company owns 500,000 of the 1,000,000 outstanding shares of capital stock of Twin City. Under present Ontario and Canadian federal income tax laws, dividends received by the Company from Twin City will not be included in computing taxable income of the Company; interest payable by Twin City to the Company will form part of the taxable income of the Company.

## FINANCING PROGRAM AND CAPITALIZATION

The Company proposes that the cost of its Construction Program described under "Application of Proceeds—Construction Program" will be financed as follows:

(1) The sale of the securities offered hereby, consisting of \$8,000,000 principal amount of 5¾% Subordinated Debentures due 1982 (herein called the Debentures) and 400,000 Common Shares without par value; such securities to be sold in Units, each consisting of a \$20 principal amount Debenture and one Common Share.

(2) The sale in the future of approximately \$12,000,000 principal amount of First Mortgage Bonds (herein called the Bonds) of the Company. No definite arrangements have been made for the sale of the Bonds. The Company proposes to place the Bonds privately and has had discussions with a limited number of institutional investors in the United States and Canada with a view to reaching mutually agreeable terms on which they would agree to purchase the Bonds. It is the Company's intention to seek such commitments in the near future, providing for the purchase of a large part, if not all, of the Bonds in 1958 and the balance, if any, in 1959. Until such agreements are obtained, the Company will have no commitment for the purchase of the Bonds and the terms of the Bonds and of their purchase will not be definite. It is anticipated, however, that the Bonds will be secured by a Deed of Trust and Mortgage (herein called the Mortgage) constituting a first fixed and specific mortgage, pledge and charge, subject to such exceptions as may be specified in the Mortgage, on substantially all the mortgageable property (including, to the extent mortgageable, its distribution systems and lateral lines, its franchises, gas purchase and certain gas sale, construction and other contracts, and all its holdings of securities of Twin City) owned by the Company at the time the Mortgage is executed and a first floating charge upon the undertaking of the Company and all its chargeable property and assets, present and future, situated in the Province of Ontario (other than specifically mortgaged property), subject to certain rights in favor of the Company. The Mortgage is expected to provide that the mortgage and charge thereby created shall extend not only to assets owned by the Company at the date of execution of the Mortgage but also to assets acquired thereafter, and to provide for the execution by the Company from time to time of any instruments which may be necessary to make such mortgage and charge effective against such after-acquired assets, subject to such qualifications as may be set out in the Mortgage. The Mortgage is also expected to include provisions for the issuance of the Bonds only against the deposit of cash with the trustees thereunder, which cash could be withdrawn only to reimburse the Company for certain construction costs for the Construction Program. The Mortgage will probably also include covenants restricting the Company's right to create additional debt (including debt represented by additional first mortgage bonds secured by the Mortgage) and its right to pay dividends or make other distributions on its Common Shares, as well as additional provisions for the retirement of the Bonds through annual payments by the Company into a sinking fund. It is also anticipated that any agreements for the purchase of the Bonds will provide for the payment to the purchasers thereunder of a commitment fee from approximately the date hereof until the delivery of the respective Bonds and that the obligations of such purchasers to purchase the Bonds will be subject to various conditions relating to legal matters and the affairs of the Company, including the ex-



istence of necessary authorizations and franchises from public authorities and appropriate gas sales contracts. It is expected that the Company will pay to Bear, Stearns & Co., Hemphill, Noyes & Co., McLeod, Young, Weir & Company Limited and Bankers Bond Corporation Limited, as compensation for services in connection with arranging for the private placement and negotiating the terms of the Bonds, a total fee of \$120,000.

The present authorized capital of the Company consists of 2,000,000 Common Shares without par value, of which 730,378 Common Shares are issued and outstanding.

Upon completion of the issuance of the Units offered hereby, and assuming the issuance of the Bonds proposed to be issued as aforesaid, the capitalization of the Company will be as follows:

<u>Title of Class</u>	<u>Authorized</u>	<u>Outstanding Upon Completion of Financing</u>
First Mortgage Bonds (1) .....	(2)	\$12,000,000(1) (3)
5¾% Subordinated Debentures due 1982 .....	\$8,000,000	\$ 8,000,000
Common Shares without par value (4) ... ..	2,000,000 shs.	1,130,378 shs.

- (1) As indicated above, the Company has no commitment for the purchase of the Bonds. The Company contemplates that, if the Bonds or any part thereof shall not be issued as presently planned, the Company will endeavor to raise additional funds for its Construction Program through the issue and sale of other evidences of indebtedness and/or shares of stock of the Company.
- (2) It is anticipated that the Mortgage under which the proposed Bonds will be issued will permit the issuance of additional first mortgage bonds in one or more series, subject to restrictions to be set forth in the Mortgage.
- (3) It is expected that the Bonds may be issued in part as United States Series Bonds payable in United States funds and in part as Canadian Series Bonds payable in Canadian funds. The amount shown in the above table for the Bonds to be outstanding is the sum of the principal amount in United States dollars of the United States Series Bonds and the principal amount in Canadian dollars of the Canadian Series Bonds proposed to be issued. The equivalent in Canadian dollars of the principal amount of any United States Series Bonds that may be issued would, at present exchange rates, be approximately 96% of the amount included in respect of such Bonds in the figure shown in the above table. It is not possible at this time to state the respective portions of the Bonds that would be issued as United States Series Bonds and Canadian Series Bonds. It is expected that there would be no material difference between the terms of the two Series, except for differences in interest rates, redemption prices and the currencies in which the Bonds would be payable.
- (4) The board of directors of the Company has passed a resolution which authorizes, subject to the allotment of the Common Shares forming part of the Units being offered by this prospectus, an application to the Lieutenant-Governor of the Province of Ontario for Supplementary Letters Patent changing its shares without par value into shares with the par value of \$1.00 each and incidental thereto reducing the then paid up capital of the Company. Such resolution is subject to confirmation by the shareholders before such application can be made and will be submitted to the shareholders at the next meeting thereof.

Initial annual interest requirements on the Debentures to be outstanding as aforesaid will amount to \$460,000 and annual amortization requirements on such Debentures will be \$150,000 in 1963-1967, \$250,000 in 1968-1977 and \$400,000 in 1978-1981, subject to reduction of said amounts as described under "Description of Subordinated Debentures". The annual interest and sinking fund requirements for the proposed Bonds will be in addition to the aforesaid amounts.

The capitalization of Twin City is as follows:

<u>Title of Class</u>	<u>Authorized</u>	<u>Outstanding</u>
5% Mortgage, due July 15, 1960 .....	\$35,000.00	\$35,000.00(1)
Amount payable under land purchase agreement with City of Port Arthur—payable within two years with interest at 6½% per annum .....	\$12,505.50	\$12,505.50
Common Shares without par value .....	2,000,000 shs.	1,000,000 shs.(2)

- (1) Includes \$6,500 instalment due July 15, 1957. Additional instalments in said amount are due July 15, 1958 and 1959; the balance is payable July 15, 1960.
- (2) Of these, 500,000 Common Shares are owned by the Company.



## APPLICATION OF PROCEEDS—CONSTRUCTION PROGRAM

Of the net proceeds from the sale of the Debentures and the Common Shares offered hereby (estimated at approximately \$11,410,667 after deduction of underwriting discounts and expenses and assuming the conversion of U. S. funds to Canadian funds at a discount of 4%), the amount of \$920,000, equal to interest on the Debentures for the period to June 1, 1959, will be deposited in trust with the Trustees for such Debentures for the payment of interest thereon. It is also contemplated that a portion (which is expected not to exceed \$3,500,000) of such net proceeds may be invested from time to time in shares or other securities of Twin City to provide for costs of construction to be undertaken by it pursuant to the Construction Program described below and to provide it with working capital. Reference is made to the information under the subheading "Proposed Operations of Twin City" under "Proposed Operations" with respect to arrangements to be made between the Company and Twin City relating to the financing of such construction by Twin City. The balance of the net proceeds, together with cash available from internal sources, will be applied toward the cost of the remainder of the Construction Program as described below.

As mentioned above, the Construction Program of the Company contemplates the construction of facilities for the distribution of natural gas in 34 communities in Ontario. The proposed distribution of gas in those communities will entail the purchase of gas from Trans-Canada at 22 different locations along its pipeline and will require the construction of several lateral lines from the Trans-Canada transmission main, the longest such lateral (approximately 82 miles) extending from North Bay past Sturgeon Falls to Sudbury and three surrounding mining and industrial communities. Another lateral (approximately 31 miles long) will serve Timmins and three neighboring communities. Each other lateral, including the lateral to the Twin Cities of Port Arthur-Fort William, will be less than ten miles long. The distribution systems within the communities will be designed to serve available industrial users of natural gas, as well as residential and commercial customers.

The estimated total cost of the Construction Program, based on present material, freight and labor costs, is approximately \$22,225,000. Such total cost has been allocated, subject to such changes as may appear desirable during the course of construction, as follows: approximately \$14,510,000 for distributing systems, including distributing mains, service lines and meters, and approximately \$7,715,000 for laterals to the transmission pipeline and intercity connections. The Construction Program envisages the installation of a total of approximately 800 miles of distributing mains and service lines and a total of approximately 180 miles of laterals and intercity connections. The Company has a contract with Fish Service Corporation for survey, design, engineering and other services in connection with completion of the Construction Program, for a fee in the amount of 2½% of the costs, subject to certain exceptions, associated with the completion of the Construction Program (including in such costs certain charges in respect of overhead expenses of Fish Service Corporation).

It is the intention of the Company to install the contemplated facilities on a schedule permitting the distribution of natural gas in the respective communities as the gas becomes available from Trans-Canada. Present expectations are that natural gas will be available to the Company in locations as far east as Port Arthur-Fort William during the fall of 1957 and at locations through the balance of the communities covered by the Construction Program during the latter half of 1958. The Company, therefore, intends that construction will commence at an early date on the contemplated facilities of the Company for the communities of Keewatin and Kenora and the contemplated facilities of Twin City for Dryden, Port Arthur and Fort William, including the lateral from the pipeline of Trans-Canada to the distribution system in Port Arthur-Fort William.

The cost of the construction to be completed in 1957 as aforesaid is estimated at approximately \$3,500,000, which will be covered by the net proceeds of the Debentures and Common Shares offered hereby. The balance of such net proceeds (except for the amount thereof deposited with the Trustees for the Debentures as



aforesaid) will be available for application in 1958 toward the cost of the remaining work contemplated in the Construction Program. The completion of the total Construction Program will be dependent upon the availability of proceeds of additional financing. As indicated above, the Company contemplates the sale of approximately \$12,000,000 principal amount of Bonds for that purpose. In the event that such Bonds or any part thereof shall not be issued and sold as presently planned, the Company would endeavor to raise additional funds through the issue and sale of other evidences of indebtedness and/or shares in the capital stock of the Company. If such additional financing did not provide sufficient funds for completing the Construction Program presently contemplated, the Company would, to the extent the availability of funds required, eliminate such portions of the construction work now contemplated as in the opinion of the management of the Company could best be dispensed with in the light of the relative needs for natural gas within the communities included in the Construction Program and the relative expected results of operations within such communities.

The Board of Directors may make such changes in the Construction Program, from time to time, as they may deem advisable, and the proposal to supply natural gas in certain communities now proposed to be served may be deferred or abandoned. The terms of the Mortgage securing the Bonds which are proposed to be issued as described above may provide that the net proceeds of the Company's financing of the Construction Program be allocated among the communities included in the Program in specified amounts, subject to adjustment by the Company within certain maximum and minimum limitations. In that event, to the extent that the net proceeds allocated to any community were not used within such limitations, the aggregate principal amount of the Bonds to be outstanding might be reduced.

In the years following the inauguration of natural gas service the Company expects that further development of its markets in the communities included in the Construction Program, as well as the desirability of constructing distributing facilities for additional communities in the area through which the initial communities will be interspersed, will require additional capital expenditures for which new financing will be needed. The amount and timing of such expenditures and the means for their financing cannot be determined at this time. However, the Company expects that such additional cash requirements may be met in part through the sale of First Mortgage Bonds, in addition to the initially contemplated issue thereof, or other securities and in part out of funds arising from operations, including accruals through depreciation reserves.

The Company has incorporated a wholly owned subsidiary, Le Gaz Provincial du Nord de Quebec Ltée, under the laws of the Province of Quebec, and an Act of the Legislature of Quebec has been passed giving that company the power to convey natural gas through the territory comprised in the electoral district of Rouyn-Noranda for distribution to the population and to the industries of such electoral district and the right to acquire by agreement or expropriation all rights of way, servitudes and lands necessary for the construction of pipe lines for the conveyance of natural gas in such territory, subject to the previous approval of the Lieutenant-Governor in Council of the Province of Quebec. The Act also authorizes municipalities in such electoral district to enter into franchises with said company. Directors' qualifying shares of said company have been issued, but said company has not commenced operations. Noranda (the site of copper and gold mines and smelting plants) and Rouyn, are so located as to make deliveries of natural gas from Trans-Canada's pipeline to those communities appear feasible. The Company has, however, no plans for the immediate introduction of natural gas in those communities.

### NATURAL GAS SUPPLY

The Company has entered into three contracts, dated January 24, 1957, for the purchase of natural gas from Trans-Canada, which proposes to operate a natural gas pipeline extending from gas fields in the Province of Alberta across the Provinces of Saskatchewan, Manitoba and Ontario and through a portion of the Province of Quebec to Montreal. Copies of said contracts are exhibits to the Registration Statement. Reference is made thereto for a full statement of their terms and conditions, and the following is qualified by such reference.



The three contracts are applicable to deliveries of gas by Trans-Canada in its respective rate zones as follows: the Western Rate Zone extending from the Manitoba-Ontario border to a point 5 miles east of Geraldton; the Northern Rate Zone extending from that point to a point 5 miles south of North Bay; and the Central Rate Zone which covers Bracebridge, Gravenhurst and Orillia. Each contract obligates Trans-Canada to deliver natural gas to the Company for the period of time and in the amounts and at the prices specified below. Trans-Canada has informed the Company that it expects to commence supplying gas in its Western Rate Zone as far eastward as Port Arthur-Fort William by November 1, 1957 and in the remainder of the Company's area by November 1, 1958.

The terms of the contracts extend to November 1, 1978, in the case of the contract for the Western Rate Zone, and until the expiration of 20 years after the November 1 next following the first delivery of gas, in the case of the other Rate Zones.

In each contract Trans-Canada has agreed not to sell natural gas to anyone other than the Company for distribution in any area for which the Company holds the necessary franchises, permits, consents, certificates and approvals and which it is ready, willing and able to serve without undue delay, except that Trans-Canada may sell gas to any gas distribution company which is distributing gas in an area at the time the Company obtains franchises therefor and may perform any contractual obligations that it may have to supply gas in any area not included in the Company's franchised area at the date of the contracts between the Company and Trans-Canada. Under the contracts Trans-Canada is required to supply the Company with natural gas in amounts up to the following maximum daily quantities:

	Contracted Demand (including Industrial Firm Service) (MCF per day)	Additional Demand (MCF per day)	Total Demand (MCF per day)
<i>Western Rate Zone</i>			
Interim Period (from initial delivery of gas to Nov. 1, 1958) .....	—	—	20,000
First Contract Year .....	20,000	5,000	25,000
Second Contract Year .....	21,600	5,400	27,000
Third Contract Year .....	23,200	5,800	29,000
Fourth Contract Year .....	24,800	6,200	31,000
Fifth Contract Year .....	26,400	6,600	33,000
Thereafter .....	33,000	—	—
<i>Northern Rate Zone</i>			
First Contract Year (from initial delivery of gas to Nov. 1, 1959) .....	22,400	5,600	28,000
Second Contract Year .....	34,000	8,500	42,500
Third Contract Year .....	47,200	11,800	59,000
Fourth Contract Year .....	51,520	12,880	64,400
Fifth Contract Year .....	55,360	13,840	69,200
Thereafter .....	69,200	—	—
<i>Central Rate Zone</i>			
First Contract Year (from initial delivery of gas to Nov. 1, 1959) .....	3,000	—	—
Second Contract Year .....	3,800	—	—
Third Contract Year .....	4,500	—	—
Fourth Contract Year .....	5,100	—	—
Fifth Contract Year and Thereafter .....	5,800	—	—



The gas deliverable to the Company in each Rate Zone is to be purchased by it at various delivery points in such Zone, without limitation or requirement as to the portion of the total quantity for such Zone to be purchased at any one point. Gas purchased at any delivery point in a Zone is to be paid for at the rates applicable to such Zone. The contracts for the Western Rate Zone and the Northern Rate Zone provide that, if in Trans-Canada's opinion it has sufficient excess capacity in its gas line, the Company may, upon giving due notice to Trans-Canada, divert delivery of a portion of any unused Total Demand (or any unused Contracted Demand, if there be no Total Demand) of gas, up to a maximum of 10,000 MCF per day, from one such Rate Zone to the other Rate Zone. Such diverted gas is to be paid for at the Commodity Charge for the Northern Rate Zone except in so far as gas diverted from the Northern Rate Zone may be included in the Total Demand (or the Contracted Demand if there shall be no Total Demand) for the Western Rate Zone, in which case it is to be paid for at the Commodity Charge then in effect in the Western Rate Zone. For purposes of computing the minimum annual charges under either contract, any diverted gas shall be deemed to have been delivered in the Rate Zone from which it was diverted.

Under certain conditions and within certain limits the Company may increase or reduce the daily Contracted Demand in all three contracts. Such action would correspondingly change the amount it is obligated to pay as a minimum bill in the Western and Northern Rate Zones.

The rates to the Company for gas delivered under the contracts for the Western and the Northern Rate Zones consist of a demand charge based on the Contracted Demand which Trans-Canada is obligated to deliver plus a commodity charge for gas purchased. Additional Demand gas which is available to the Company in such Zones during the first five contract years referred to above is to be billed for at a flat rate per MCF, and for such purpose the first deliveries of gas to the Company in each month shall be deemed to be deliveries of Additional Demand gas. In each such Zone the Company is obligated to pay a minimum bill based on total deliveries of 75% of the Total Demand (or the Contracted Demand if there shall be no Total Demand) which Trans-Canada is obligated to deliver, subject to the provisions described below relating to the maximum price per MCF of gas delivered during the 36 consecutive months next following the initial delivery of gas in such Zone. The Company has the option in each Zone to substitute prior to the first delivery of gas a rate schedule with lower rates and a minimum bill based on a 90% load factor and has the further option at any time to substitute any other then published Contracted Demand General Service rate schedule of Trans-Canada. Trans-Canada's Industrial Firm Service rates will apply to that portion of the Contracted Demand which is covered by contracts of the Company for the sale of industrial firm service gas, and Contracted Demand General Service rates will apply to the balance. The rates and average cost to the Company, at the load factors stated below, for gas purchased by the Company in the Western and Northern Rate Zones in the sixth and subsequent contract years referred to above are as follows (per MCF) :

	<u>Monthly Contracted Demand Charge</u>	<u>Commodity Charge</u>	<u>Average Cost at 100% Load Factor</u>	<u>Average Cost at Applicable Minimum Annual Load Factor</u>
<b>75% Minimum Annual Load Factor</b>				
Contracted Demand General Service				
Western Rate Zone .....	\$2.90	25.0¢	34.5¢	37.7¢
Northern Rate Zone .....	\$4.10	29.5¢	43.0¢	47.5¢
Industrial Firm Service				
Western Rate Zone .....	\$2.18	25.0¢	32.2¢	34.6¢
Northern Rate Zone .....	\$3.07	29.5¢	39.6¢	43.0¢
<b>90% Minimum Annual Load Factor</b>				
Contracted Demand General Service				
Western Rate Zone .....	\$2.90	23.0¢	32.5¢	33.6¢
Northern Rate Zone .....	\$4.10	27.5¢	41.0¢	42.5¢
Industrial Firm Service				
Western Rate Zone .....	\$2.18	23.0¢	28.2¢	31.0¢
Northern Rate Zone .....	\$3.07	27.5¢	37.6¢	41.0¢



The average costs of Contracted Demand General Service gas will be less than those shown above during the first five contract years in which 20% of the Total Demand can be purchased as "Additional Demand" service at flat rates per MCF, increasing from 28¢ in the first such year to 32¢ in the fifth such year in the Western Rate Zone and from 34¢ in the first year to 39¢ in the fifth year in the Northern Rate Zone. As a result of such rates, the Company's average cost for Contracted Demand General Service gas purchased in the first contract year and the fifth contract year, at the load factors stated below, will be as follows (per MCF) :

	First Contract Year		Fifth Contract Year	
	Average Cost at 100 % Load Factor	Average Cost at Applicable Minimum Annual Load Factor	Average Cost at 100 % Load Factor	Average Cost at Applicable Minimum Annual Load Factor
75% Minimum Annual Load Factor				
Western Rate Zone .....	33.2¢	36.0¢	34.0¢	37.1¢
Northern Rate Zone .....	41.2¢	45.1¢	42.2¢	46.4¢
90% Minimum Annual Load Factor				
Western Rate Zone .....	31.6¢	32.4¢	32.4¢	33.2¢
Northern Rate Zone .....	39.6¢	40.6¢	40.6¢	41.7¢

The contract for each of the Western and Northern Rate Zones provides that for 36 consecutive months next following the date natural gas service first commences in such Zone the Company will have the right to pay the smaller of (a) the rates computed in accordance with the above-described provisions in such contract or (b) a ceiling price of 41¢ per MCF in the Western Rate Zone and 51.3¢ per MCF in the Northern Rate Zone.

In the Central Rate Zone the rate for gas delivered to the Company is a straight line rate of 53.2¢ per MCF of gas delivered during the 36 consecutive months next following the date natural gas service first commences in such Zone and 65¢ per MCF of gas delivered thereafter. There is no provision for a minimum bill in the Central Rate Zone.

All groups of rates set forth above are subject to increase by an amount equal to one-half of the amount of any increase in the cost to Trans-Canada of gas sold to the Company resulting from the exercise of legislative or regulatory authority. The Company believes that the natural gas furnished to it by Trans-Canada will be produced in the Province of Alberta. At the date hereof there is no legislation of the Province of Alberta or of Canada which empowers any authority to increase or decrease prices paid for natural gas by Trans-Canada.

As to all the rates set forth above, the Company is also required to reimburse Trans-Canada for any sales tax levied by Canada or by the Province of Ontario or any political subdivision of such Province, paid by Trans-Canada on gas delivered to the Company, and for one-half of any additional tax paid by Trans-Canada on gas delivered to the Company related to sales, production, severance, gathering, transmission or export (other than income, profits, franchise and certain other taxes).

All three of the Company's contracts with Trans-Canada also provide for special rates for unauthorized overruns, and provide for adjustments downward in the rates in the event the heating content of the gas should fall below certain standards. The contracts also require Trans-Canada to maintain specified minimum pressures on gas delivered to the Company.

### Gas Supply to Twin City

The Company and Twin City have entered into a Precedent Agreement dated as of June 21, 1956, under which they agreed to enter into a Gas Sales Contract in the form annexed thereto, with such changes therein as they might agree upon, subject to the right of each party to terminate the Precedent Agreement if the Gas Sales Contract shall not have been executed on or before June 30, 1957. The Precedent Agreement contem-



plates that the Company will agree to sell to Twin City, and it will agree to buy from the Company, all of Twin City's requirements of gas, subject to certain exceptions, for distribution in Port Arthur, Fort William, Dryden, Nipigon, Geraldton and other adjacent municipalities for a term of 20 years ending in 1977. The Precedent Agreement provides that, subject to provisions relating to Seasonal Off-Peak gas, the Company shall not be obligated to deliver in any one day a maximum quantity of natural gas exceeding the Contracted Demand, which is to be specified in the Gas Sales Contract at not less than the following daily quantities: 7,500 MCF in the year ending November 1, 1958, 10,300 MCF in the next 12 months, 13,500 MCF in the next 12 months, 14,900 MCF in the next 12 months and 17,500 MCF in the next and each succeeding 12 month periods. Under certain conditions and within certain limits the Contracted Demands to be specified in the Gas Sales Contract could be increased or reduced. The Precedent Agreement contemplates that the Gas Sales Contract will be based upon an annual minimum load factor of 75% of Contracted Demand. The rates and average price, at the load factors stated below, for gas purchased by Twin City as contemplated by the Precedent Agreement, are as follows:

	<u>Rate Per MCF</u>	<u>Average Price Per MCF at Load Factors of</u>	
		<u>100%</u>	<u>75%</u>
Contracted Demand General Service at 75% Load Factor			
(a) For the first 274 days use of Contracted Demand each year .....	39.6¢	36.2¢	39.6¢
(b) For consumption over 274 days use of Contracted Demand during the same year .....	26.0¢		
Contracted Demand Industrial Firm Service at 75% Load Factor			
(a) For the first 274 days use of Contracted Demand each year .....	36.5¢	32.9¢	36.5¢
(b) For consumption over 274 days use of Contracted Demand during the same year .....	26.0¢		

The Industrial Firm Service rates would apply to that portion of the Contracted Demand which is covered by contracts of Twin City for the sale of Industrial Firm Service gas, and General Service rates would apply to the balance. Twin City would be obligated to pay an annual minimum charge per year of \$108.50 per MCF of General Service Contracted Demand and \$100 per MCF of Industrial Firm Service Contracted Demand.

Provision is also made in the contemplated Gas Sales Contract for the sale by the Company to Twin City, when available, of interruptible service gas at 29¢ per MCF and excess gas at 26¢ per MCF.

The contemplated Gas Sales Contract would include provisions, comparable to those in the Company's contracts with Trans-Canada, (1) providing for an increase or decrease in the rates by an amount equal to one-half of the amount of any increase or decrease in the cost to the Company of gas sold to Twin City resulting from the exercise of legislative or regulatory authority and (2) requiring Twin City to reimburse the Company for any sales tax levied by Canada or by the Province of Ontario or any political subdivision thereof, paid by the Company on gas delivered to Twin City, and for one-half of any additional tax paid by the Com-



pany on gas delivered to Twin City related to sales, production, severance, gathering, transmission or export (other than income, profits, franchise and certain other taxes).

## REGULATION

The Ontario Fuel Board Act, 1954 as amended, establishes the Ontario Fuel Board and provides that the Board may control and regulate the production, storage, transmission, distribution, sale, disposal, supply and use of natural gas in Ontario and may make orders with respect thereto. The Act also provides that the Board may make orders fixing the rates, meter rentals and other charges to be paid by ultimate consumers of natural gas and that no new rates, meter rentals or other charges and no alteration of existing rates, meter rentals or other charges to be charged to ultimate consumers of natural gas shall be put into effect until ordered by the Board. The Board has not yet taken action on establishing any rates, meter rentals or other charges of the Company or Twin City.

The Act further provides that no person shall store or transmit or distribute natural gas to ultimate consumers unless that person is the holder of a license for such purpose. The Company holds a license to distribute natural gas to ultimate consumers and anticipates that Twin City will be granted such a license upon application therefor. The Act also provides that no person shall use 400,000 cubic feet or more of natural gas in any year for industrial purposes unless that person is the holder of a permit for such purposes and that no gas utility (meaning a person engaged in the distribution of gas by means of a pipe-line system) shall supply natural gas to an ultimate consumer using less than 400,000 cubic feet in any year for industrial purposes unless the gas utility is the holder of a permit to supply natural gas for such purposes. No such permits have been issued relating to the use of natural gas by or the supply thereof to potential industrial customers of the Company or Twin City, but the Company anticipates that such permits can be obtained upon application therefor.

The Board is also given by the Act broad power to make regulations, subject to the approval of the Lieutenant-Governor in Council of the Province of Ontario, regulating and controlling the construction, erection, alteration, installation, removal or acquisition of works, pipe lines, plant, machinery or equipment for the production, storage, transmission, distribution or measurement of natural gas, and limiting, restricting or taking away any rights to use or consume natural gas without charge or at a reduced rate, and requiring and providing for the registration of meters for the measurement of natural gas supplied by a gas utility to ultimate consumers, and prescribing the terms and conditions upon which any license or permit may be issued or any registration made, including the fee payable therefor, and respecting any other matter necessary or advisable to carry out effectively the intent and purpose of the Act.

The rates for the sale of gas from Trans-Canada to the Company under the contracts referred to under "Natural Gas Supply" are not subject to regulation in the Province of Ontario except as may be provided by the provisions of The Ontario Fuel Board Act described above.

The Municipal Franchises Act of the Province of Ontario provides that no person shall construct any works to supply or supply natural gas in any municipality, subject to certain exceptions, without the approval of the Ontario Fuel Board and such approval shall not be given unless public convenience and necessity appear to require that such approval be given and that such approval shall be in the form of a certificate. No such certificate shall be granted or refused until after the Board has held a public hearing. Reference is made to the information in the second paragraph under "Franchises" below.

## FRANCHISES

Under the laws of the Province of Ontario franchises may be granted by municipalities and townships for the supply of natural gas to the municipality or township for its use or for resale or to the inhabitants thereof for their use for any period not exceeding twenty years. The municipal or township by-law setting



forth the terms and conditions upon which and the period for which the right to use or occupy the highways of the municipality or to construct or operate any part of the gas utility is to be granted or acquired, must be assented to by the electors in the municipality or township subject to the prior approval of such terms and conditions and period by the Ontario Fuel Board after a public hearing. The Board having held such public hearing may declare and direct that the assent of the electors is not necessary if satisfied that it can properly under all the circumstances be dispensed with. As indicated under "Regulation" above the Board has additional powers to control and regulate the distribution and sale of natural gas in Ontario.

The Company and Twin City have had hearings before the Ontario Fuel Board as to the feasibility of the proposed natural gas service in all the 34 communities covered by the Construction Program, and formal certificates of public convenience and necessity have been granted by the Board for each of said communities for which the Company or Twin City has obtained a franchise. At the present time the Company holds franchises for gas service in all of the 28 communities which it proposes to serve, except Keewatin at the western end of the area, Sturgeon Falls which is located on the proposed lateral from North Bay to Sudbury, and the three communities of Coniston, Copper Cliff and Lively in the Sudbury environs. The Company anticipates that it will obtain franchises and related certificates of public convenience and necessity for natural gas service in those five communities and in various townships outside community limits in which natural gas is proposed to be served.

Each franchise now held by the Company expires twenty years from the "performance date", which is defined, in effect, as the earlier of (a) the 120th day after gas becomes available out of a gas pipeline at a point in the vicinity of the franchised municipality or township or (b) the end of two years from the date of the execution of such franchise, which two year period may be extended with the approval of the Ontario Fuel Board from year to year to a maximum of five years from the date of execution of such franchise (or to a maximum of four years from the date of execution, in the case of the franchise for Sudbury), and each franchise provides that, subject to a *force majeure* clause, it shall terminate and become null and void if the Company shall have failed to commence construction by the "performance date" as above defined of a gas distribution system in the municipality or township with adequate plans for completion of such system and payment therefor.

Twin City holds franchises and related certificates of public convenience and necessity for natural gas service in each of the communities proposed to be served by Twin City. The Company anticipates that Twin City will obtain appropriate franchises and certificates of public convenience and necessity for various townships in the environs of these communities. Each franchise now held by Twin City expires twenty years from the "performance date", which is defined, in effect, as (a) the 90th day after gas becomes available out of a gas pipeline at a point in the vicinity of the franchised municipality or township or (b) in the case of the franchises for municipalities other than Nipigon and Geraldton, December 1, 1960, if earlier than such 90th day, and each franchise provides that, subject to a *force majeure* clause, it shall terminate and become null and void if Twin City shall have failed to commence construction by the "performance date" as above defined of a gas distribution system in the municipality or township with adequate plans for completion of such system.

Each of the franchises of the Company (except the franchise for Sudbury) provides that the municipality or township may, after the termination of such franchise, require the Company to sell the distribution system located in the franchised territory, or any portion thereof, to the municipality or township or to any person, firm or corporation designated by the municipality or township. The franchise of the Company for Sudbury provides that the municipality may require such sale by the Company upon the expiration of each ten-year period from the "performance date" or six months prior to the termination date of the franchise and, after the termination of such franchise, within a period of twelve months after such termination. Each of the franchises of Twin City, with the exception of the franchise for Nipigon, provides that the municipality or township may re-



quire Twin City to make such sale upon the expiration of each ten-year period from the "performance date" or six months prior to the termination date of the franchise. In the case of the franchise of Twin City for Nipigon, the municipality may only require such sale by Twin City after the termination of such franchise.

In the franchise for Sudbury, the Company has agreed, on certain terms and conditions, to provide natural gas service to any city block in which 50% of the buildings therein have applied for such service. In all of its franchises Twin City has agreed that within two years after the respective "performance dates" it will install sufficient facilities for the distribution of gas so as to be able to serve 60% of the residents of the respective municipalities who have applied for gas and has agreed to supply performance bonds in respect of such undertakings in the amount of \$100,000 each in the case of Dryden and Port Arthur and \$25,000 in the case of Nipigon. In its franchises Twin City has agreed that at the time of any public offering of its common stock, whether by itself, its agents, or underwriters, first preference in respect of the purchase thereof shall be given for a minimum period of seven full days to bona fide residents of the area from the Manitoba boundary on the west to the easterly boundary of the Electoral Division of the Riding of Port Arthur in the east.

In the opinion of the management of the Company, none of the franchises referred to above held by the Company or Twin City contains any restrictions or requirements which are of a materially burdensome nature and such franchises are adequate for the conduct of the business proposed to be conducted in the franchised area. None of the franchises held by the Company or Twin City is exclusive. Under the provisions of the Municipal Franchises Act of Ontario, however, a certificate of public convenience and necessity must be obtained with the approval of the Ontario Fuel Board with respect to the distribution and sale of natural gas in the municipality in question, and such a certificate may not be granted to any other distributor for a community at the time served with gas, unless public convenience and necessity appear to require that such approval be given.

All the franchises held by the Company require the consent of the municipality or township which granted such franchise, and the franchises held by Twin City require, in addition, an order of the Ontario Fuel Board, for an assignment thereof. The Company anticipates that it will be able to obtain such consents to the extent required to subject such franchises to a first mortgage and charge in favor of the trustees for the Bonds proposed to be issued as described above under "Financing Program and Capitalization". In connection with any sale of such franchises by such trustees the purchaser might be required to obtain further such consents and would be required to obtain from the Ontario Fuel Board a certificate of public convenience and necessity with respect to its proposed distribution activities.

Under the Ontario Gas Pipelines Act the Company and Twin City may, with the approval of the Ontario Fuel Board evidenced by a certificate of public convenience and necessity, exercise a power of expropriation for rights-of-way in areas outside territorial limits of municipalities or townships for the purpose of establishing a pipeline for the transmission of gas, including any works appurtenant thereto or a branch line. The Company and Twin City do not presently have the power of expropriation as a public utility in areas within municipal limits.

## OFFERING OF UNITS

The Debentures and the Common Shares will be offered in Units, each consisting of a \$20 principal amount Debenture and one Common Share.

The Debentures to be issued to purchasers of Units will contain a legend or endorsement stating that the Common Shares constituting a part of such Units have been deposited with and are held by National Trust Company, Limited, as Depositary, pursuant to a Deposit Agreement (a copy of which is filed as an exhibit to the Registration Statement). The Deposit Agreement will provide that prior to the close of business on January 6, 1958, the Depositary will mail to each registered owner of a Debenture of record at the close of business on January 1, 1958, one Common Share for each \$20 principal amount of Debentures held by him.



Prior to January 2, 1958 (or as to any Debenture which shall be redeemed, its redemption date) the Units will be transferable only as a whole, including the Common Shares applicable thereto still held by the Depositary, and any transfer of a Debenture will constitute a transfer of the holder's beneficial interest in the related Common Shares.

Pursuant to the Deposit Agreement, the beneficial owners of the Common Shares, as their names appear on the Debenture registers, will be entitled to receive from the Depositary proxies to vote such shares.

Dividends on the Common Shares and interest on the Debentures offered hereby payable to non-residents of Canada will under present Canadian tax laws be subject to a withholding tax of 15%. The amount so withheld may, however, under present United States tax laws generally be taken, subject to certain limitations, as a credit against United States income taxes.

## DESCRIPTION OF SUBORDINATED DEBENTURES

The Debentures are to be issued under an Indenture dated as of June 1, 1957 (hereinafter called the Indenture) between the Company and National Trust Company, Limited and Bankers Trust Company, as Trustees (hereinafter referred to collectively as the Trustees and severally as the Canadian Trustee and the United States Trustee, respectively). The following statements are subject to the detailed provisions of the Indenture, a copy of which is filed as an exhibit to the Registration Statement. Wherever particular provisions of the Indenture are referred to, such provisions are incorporated by reference and the statements are qualified in their entirety by such reference.

The Debentures will be unsecured obligations of the Company, will mature June 1, 1982, will be dated June 1, 1957 (except in the case of coupon Debentures and certain fully registered Debentures), and will bear interest from the date thereof at the rate of  $5\frac{3}{4}\%$  per annum, payable semi-annually on December 1 and June 1 (Indenture, §§ 2.01 and 2.02). At the time of issuance of the Debentures, the Company will deposit in trust with the Trustees funds sufficient to pay interest on the Debentures to June 1, 1959. The Company reserves the right to instruct the Trustees from time to time to invest the funds so deposited in certain types of securities.

The principal of and interest on the Debentures will be payable in Canadian funds. Both principal and interest will be payable in Canada at any branch (far northern branches excepted) of the chartered bank to be designated in the Debentures and in the United States at the principal office of the United States Trustee in the Borough of Manhattan, City of New York. Checks for interest on fully registered Debentures will be mailed to the registered holders. (Indenture, § 2.01).

The Debentures are to be issued initially in fully registered form in denominations of \$20 and in multiples thereof. After January 2, 1958, such fully registered Debentures will be exchangeable without charge for coupon Debentures in bearer form in denominations of \$500 and \$1,000 in equal principal amount. Coupon Debentures in the denomination of \$500 will be exchangeable without charge for coupon Debentures in the denomination of \$1,000 in equal principal amount, and coupon Debentures in the denominations of \$500 and \$1,000 will be exchangeable without charge for fully registered Debentures in equal principal amount (Indenture, §§ 2.03 and 2.06).

The Indenture will not restrict the right of the Company to issue additional indebtedness of any rank or class or to create liens on any property of the Company (Indenture, § 7.11).

### Subordination of Debentures

The payment of the principal of and interest on the Debentures will be subordinated in all respects in the manner set forth in the Indenture to the prior payment in full of all Prior Indebtedness, and in the event of default on Prior Indebtedness, no payments (with certain exceptions) will be permitted to be made on the



Debentures. Prior Indebtedness will be defined, in effect, as the principal of and premium, if any, and interest on (a) indebtedness of the Company now outstanding or hereafter incurred (including the Bonds proposed to be issued as described under "Financing Program and Capitalization") for money borrowed from or guaranteed to others and (b) indebtedness of the Company incurred, assumed or guaranteed in connection with the acquisition by it of any business, properties or other assets, if in each case the instrument creating or evidencing such indebtedness provides that such indebtedness is Prior Indebtedness and is superior in right of payment to the Debentures. The Trustees will be authorized from time to time to deliver deeds expressly subordinating the Debentures to Prior Indebtedness. (Indenture, Articles 1 and 4.) By reason of such subordination, in the event of insolvency, other creditors of the Company who are not holders of Prior Indebtedness, or of the Debentures, may recover less, ratably, than holders of Prior Indebtedness, and may recover more, ratably, than the holders of the Debentures. Funds deposited with the Trustees for the payment of interest on the Debentures for the period from June 1, 1957 to June 1, 1959 will not be subject to the subordination provisions of the Indenture.

### Redemption Provisions

The Debentures are to be redeemable at any time as a whole or from time to time in part at the option of the Company or for sinking fund purposes, on not less than thirty days' notice, at 100% of the principal amount thereof plus accrued interest thereon to the date fixed for redemption. (Indenture, Article 5.)

### Sinking Fund Provisions

The Indenture will contain provisions requiring the Company to pay to the Trustees, on or before May 31 in each year, commencing in 1963, an amount equal to the smaller of (a) \$150,000 in each of the years 1963-1967, \$250,000 in each of the years 1968-1977 and \$400,000 in each of the years 1978-1981 or (b) 50% of the Sinking Fund Net Income of the Company for the fiscal year preceding the year in which such payment is to be made; *provided, however*, that no such sinking fund payment shall be payable in any year to the extent that, after giving effect to the payment thereof, the aggregate amount paid to the sinking fund and otherwise expended for the purchase, redemption or acquisition of Debentures plus the aggregate amount of all dividends and distributions (payable otherwise than in shares of capital stock of the Company) declared or paid on any shares of its capital stock and the aggregate amount paid for the purchase, redemption or acquisition of any shares of its capital stock (other than shares so acquired in exchange for or from the proceeds of a substantially concurrent sale of other shares of its capital stock or out of contributions to the capital of the Company) subsequent to May 6, 1954, would exceed the aggregate amount of the Consolidated Net Earnings (as defined) of the Company subsequent to May 6, 1954, provided that if Consolidated Net Earnings shall show a loss for any fiscal year, such loss shall be offset against and shall reduce by the amount of such loss the Consolidated Net Earnings of other periods to be taken into account for purposes of the foregoing provision. (Indenture, § 6.01.) The funds so paid to the Trustees are to be used to redeem Debentures. (Indenture, § 6.03.) The Debentures are to be redeemable for the sinking fund at 100% of the principal amount thereof plus accrued interest thereon to the date fixed for redemption. (Indenture, § 5.01.) The Company will be permitted to credit against its sinking fund obligation Debentures acquired by the Company or redeemed or called for redemption otherwise than through the sinking fund and otherwise than for the purpose of satisfying the condition referred to in clause (c) under "Dividend Restrictions". (Indenture, § 6.02.) The term "Sinking Fund Net Income" is defined, in effect, to mean the sum of the Consolidated Net Earnings for such fiscal year plus all amounts provided during such fiscal year for depreciation and amortization less (i) all amounts accrued during such fiscal year for sinking, purchase or analogous funds in respect of Prior Indebtedness and (ii) all amounts due or paid in respect of principal of and premium, if any, on Prior Indebtedness other than as a result of voluntary redemption or prepayment or of redemption through sinking, purchase or analogous funds; *provided, however*, that if Sinking Fund Net Income shall show a deficit for any fiscal year, such deficit shall be carried forward to the succeeding fiscal year or years. (Indenture, Article 1.)



## Dividend Restrictions

The Indenture will prohibit the Company from paying or declaring any dividend or making any other distribution upon any of its capital stock or acquiring for a consideration any of its capital stock (excluding from such restriction and from the following calculation dividends paid in capital stock and capital stock acquired in exchange for or from the proceeds of a substantially concurrent sale of other capital stock or out of contributions to the capital of the Company), (a) if after giving effect to such payment or distribution or acquisition the cumulative aggregate amount of all dividends and distributions declared or paid on capital stock and the amount paid for the acquisition of capital stock subsequent to May 6, 1954, exceeds the aggregate amount of the Consolidated Net Earnings (as defined) subsequent to May 6, 1954, provided that if Consolidated Net Earnings shall show a loss for any fiscal year, such loss shall be offset against and shall reduce by the amount of such loss the Consolidated Net Earnings of other periods to be taken into account for purposes of the foregoing provision, or (b) if any instalment of interest which is due on the Debentures has not been paid or if any required sinking fund payment has not been made, or (c) in the event that the amount contemplated by clauses (a) and (b) under "Sinking Fund Provisions" above to be paid into the sinking fund on or before any May 31 shall not be required so to be paid by reason of the *proviso* to said clauses, until the Company shall have delivered to the Trustees Debentures, or redeemed or called for redemption Debentures, in a principal amount equal to such amount not paid into the sinking fund by reason of said *proviso*. (Indenture, § 7.08.)

## Modifications of the Indenture

The Indenture and the rights of the Debenture holders may be modified by the Company and the Trustees with the consent of holders of a majority in aggregate principal amount of the Debentures at the time outstanding given either at a meeting of Debenture holders or in writing; but no extension of the maturity of the Debentures, or reduction in the rate of interest thereon or change in sinking fund requirements or modification in the terms of payment of principal or interest or reduction of the aforesaid percentage required for modification will be effective against any Debenture holder without his consent. (Indenture, § 15.02.)

## The Trustees

The holders of a majority in principal amount of all outstanding Debentures will have the right, subject to certain limitations, to direct the time, method and place of conducting any proceeding for any remedy available to the Trustees. (Indenture, § 8.07.) The Indenture will provide that in case a complete and uncured default shall occur, each Trustee, in exercising its rights and powers, will be required to use the degree of care of a prudent man in the conduct of his own affairs. (Indenture, § 11.02.) Subject to such provisions, the Trustees will be under no obligation to exercise any of their trusts or powers under the Indenture at the request of any Debenture holders, unless they shall have offered to the Trustees reasonable security or indemnity. (Indenture, § 11.01.) The Indenture will provide that the rights, powers, duties and obligations conferred or imposed upon the Trustees or either of them by the Indenture shall be conferred and imposed upon and exercised or performed by the United States Trustee or jointly by the United States Trustee and the Canadian Trustee, except to the extent that, where under any law of any jurisdiction the United States Trustee shall be incompetent or unqualified to perform any particular act or acts, such act or acts shall be exercised and performed by the Canadian Trustee. (Indenture, § 11.10.)

Either Trustee may in its individual or in any other capacity become the owner or pledgee of the Debentures with the same rights as if it were not a Trustee. (Indenture, § 11.01(g).)

## Events of Default

The following events will be defined in the Indenture as "events of default": failure to pay interest or sinking fund instalments for thirty days; failure to pay principal; failure to perform any other covenants for sixty days after notice; certain defaults in respect of Prior Indebtedness; and certain events of bankruptcy, insolvency, liquidation or reorganization. (Indenture, § 8.01.)



The Indenture will provide that the United States Trustee shall, within 90 days after the occurrence of a default, give notice as provided therein to the Debenture holders of all uncured defaults known to it (the term default to include the events specified above without grace) ; provided that, except in the case of default in the payment of principal of or interest on any of the Debentures or the payment of any sinking fund instalment, said Trustee shall be protected in withholding such notice if it in good faith determines that the withholding of such notice is in the interests of the Debenture holders. (Indenture, § 11.03.)

The Indenture will require the Company to file annually with the Trustees an officers' certificate as to defaults by the Company in the performance of any provisions of the Indenture. (Indenture, § 7.06.)

### DESCRIPTION OF COMMON SHARES

The Transfer Agents for the Common Shares are National Trust Company, Limited, in Montreal, Toronto and Vancouver and Chemical Corn Exchange Bank in New York. The Registrars for the Common Shares are National Trust Company, Limited, in Montreal, Toronto and Vancouver and Guaranty Trust Company of New York in New York.

The record holder of each share of capital stock (herein called a Common Share) is entitled to one vote. There is no provision for cumulative voting. In any liquidation, the Common Shares will be entitled to share ratably in all assets available for Common Shareholders. The Common Shares do not have any preemptive rights, conversion rights, redemption or sinking fund provisions. The Common Shares offered hereby will, when issued, be fully paid and non-assessable.

Reference is made to the sub-heading "Dividend Restrictions" under "Description of Subordinated Debentures" for a description of certain limitations upon the payment by the Company of dividends upon its Common Shares. It is anticipated that further restrictions upon such dividends will be included in the Mortgage securing the Bonds which are proposed to be issued as described under the heading "Financing Program—Capitalization".

### MANAGEMENT AND STOCK OWNERSHIP

The names and addresses of the Directors and executive officers of the Company are as follows:

<u>Name</u>	<u>Address</u>	<u>Office</u>
Ralph K. Farris	Credit Foncier Building Vancouver, B. C.	President and Director
C. Spencer Clark	406 Securities Building Seattle, Washington	Executive Vice-President and Director
John W. Tomlinson	170 University Avenue Toronto, Ontario	Vice-President and Chief Engineer
Harold E. Andrews	170 University Avenue Toronto, Ontario	Secretary-Treasurer
Donald A. Clark	70 High Street South Port Arthur, Ontario	Director
M. C. Deans	44 King Street West Toronto, Ontario	Director
Leonard Dickson	1 Wall Street New York, N. Y.	Director
Beverley Matthews	330 University Avenue Toronto, Ontario	Director
Frank S. Welters	7011 Marguerite Street Vancouver, B. C.	Director



Mr. Farris, the President and a director of the Company, is the President and a director of Charter Oil Company Limited, Vancouver, B. C., and Calgary, Alberta, and for more than the past five years has been an independent oil operator and an executive officer of petroleum companies in Western Canada. He is President and a director of Magna Pipelines Ltd., Vancouver, B. C.

Mr. C. Spencer Clark, Executive Vice-President and a director of the Company, has during the past five years been engaged in the organization and development of Cascade Natural Gas Corporation, Seattle, Washington, and is presently the President and a director of said Corporation. He is Chairman of the Board of The Midland Coal and Lumber Company, Miles City, Montana, and a director of Magna Pipelines Ltd., Vancouver, B. C.

Mr. Tomlinson became Vice-President and Chief Engineer of the Company in July, 1956. For more than five years prior thereto he held positions in Trans-Canada Pipe Lines Limited, Saskatchewan Power & Gas Corporation and Manitoba Power Commission.

Mr. Andrews, Secretary-Treasurer of the Company, was for more than five years prior to his employment by the Company in 1957 associated with Messrs. Riddell, Stead, Graham & Hutchison, Chartered Accountants.

Mr. Donald A. Clark has for more than the past five years been engaged in the lumber business in Port Arthur, Ontario.

Mr. Deans is President of Bankers Bond Corporation Limited, investment dealers, Toronto, Ontario.

Mr. Dickson is a partner of Bear, Stearns & Co., investment bankers, New York, N. Y.

Mr. Matthews is a partner in the firm of McCarthy & McCarthy, Toronto, Ontario, counsel for the Company.

Mr. Welters is President and a director of Continental Potash Corporation Limited, Calgary, Alberta.

The aggregate remuneration paid or set aside by the Company for all officers and directors of the Company as a group for services during the fiscal year ended December 31, 1956, was \$21,267, of which no person received more than \$12,100. The aggregate remuneration for the current fiscal year is presently at the rate of \$33,600 per year.

As of May 1, 1957, the officers and directors of the Company owned beneficially 64,622 Common Shares (8.8%) of the Company. The foregoing numbers of shares are exclusive of the Common Shares, referred to under "Underwriting" below, owned by Bear, Stearns & Co., of which firm Mr. Dickson is a partner, and by directors, officers and shareholders (other than Mr. Deans) of Bankers Bond Corporation Limited.

As of May 1, 1957, the only person holding of record, or known by the Company to own beneficially, more than 10% of the outstanding Common Shares of the Company was the following:

<u>Name and Address</u>	<u>Type of Ownership</u>	<u>No. of Shares Owned</u>	<u>Percent of Class</u>
Charter Oil Company Limited* 130 Petroleum Building Calgary, Alberta	Record and beneficial	84,534	11.6%

\*Mr. Farris is President and a director, and Messrs. Deans and Dickson are directors, of Charter Oil Company Limited.

Included among the nine directors of Twin City are Messrs. Farris, C. Spencer Clark, Donald A. Clark, Dickson and Matthews, and Mr. Blancke Noyes, a partner of Hemphill, Noyes & Co. Mr. Farris is Executive Vice-President, and Mr. Andrews is Secretary, of Twin City.



## ORGANIZATION AND FINANCIAL HISTORY

Following the organization of the Company in May, 1954, 500 of its Common Shares were sold by the Company for cash at \$4 per share as follows: 75 shares to Mr. Farris, 100 shares to Mr. Clark, 75 shares to Charter Oil Company Limited (of which Mr. Farris is President and a director), 50 shares to Matt M. Newell and 200 shares to Gordon K. McLean. In October, 1955, one of the three incorporators shares which had been issued to the incorporators of the Company was transferred to each of Messrs. Leonard Dickson and Blancke Noyes (directors of the Company at that time and partners, respectively, in Bear, Stearns & Co. and Hemphill, Noyes & Co.). Also in October, 1955, the Company sold 560 additional Common Shares for cash at \$100 per share, including 55 shares sold to Charter Oil Company Limited, 10 shares to Frank Welters (a present director of the Company), 50 shares to Bankers Bond Corporation Limited, 100 shares to Bear, Stearns & Co. and 100 shares to Blancke Noyes. From time to time thereafter additional Common Shares were sold for cash, including shares sold to shareholders of the Company pursuant to a subscription offer expiring December 7, 1955, to purchase at \$2.50 per share 1 additional share for each 10 shares held, a subscription offer expiring June 15, 1956, to purchase at \$7.50 per share 1 additional share for each 10 shares held, and a subscription offer expiring August 8, 1956, to purchase at \$2.50 per share 1 additional share for each 15 shares held. Other Common Shares were issued and sold by the Company from time to time, including 1 share sold at \$2.50 per share to Donald A. Clark, a director of the Company, in March, 1956; 1,500 shares sold at \$2.50 per share to John W. Tomlinson, a Vice-President of the Company, in June, 1956, pursuant to an option granted to him in January of that year; 500 shares sold at \$2.50 per share to J. Chester Grey, Jr., a former Vice-President of the Company in May, 1956, pursuant to an option granted to him in January, 1956; and 14,000 shares sold to Lehman Brothers and 1,599 shares to C. Spencer Clark at \$2.50 per share in September, 1956. The foregoing numbers of Common Shares are stated without adjustment to give effect to the subdivisions of the Company's Common Shares effected at the rate of 100-for-1 on November 15, 1955, and at the rate of 5-for-1 on July 26, 1956.

Messrs. Farris and Clark, the President and Executive Vice-President, respectively, of the Company were instrumental in founding and organizing the Company and have been active in its affairs since its organization. There were no promoters of the Company except in so far as Messrs. Farris, Clark, Newell and McLean and Charter Oil Company Limited, referred to above, may be deemed to be promoters within the meaning of that term as used in the United States Securities Act of 1933 and rules and regulations of the Securities and Exchange Commission thereunder. The number of Common Shares purchased from the Company and the average purchase price thereof (giving effect to the above-mentioned subdivisions of Common Shares) and the number of Common Shares presently held by them are as follows: Mr. Farris, 37,500 shares purchased at an average price of \$.008 per share, of which he now owns 17,500 shares; Mr. Clark, 56,049 shares purchased at an average price of \$.12 per share, of which he now owns 30,000 shares; Mr. Newell, 32,084 shares purchased at an average price of \$.31 per share, of which he now owns 5,000 shares; Mr. McLean, 105,750 shares purchased at an average price of \$.05 per share, of which he now owns 60,213 shares; and Charter Oil Company Limited, 83,989 shares purchased at an average price of \$.39 per share, all of which it now owns.

## UNDERWRITING

### Canadian Underwriters

In the Canadian Underwriting Agreement, the Canadian Underwriters named below have severally agreed to purchase from the Company the respective numbers of Units set forth below, if any are purchased.

<u>Name</u>	<u>Address</u>	<u>Number of Units</u>
McLeod, Young, Weir & Company Limited .....	50 King Street West Toronto, Ontario	101,500
Bankers Bond Corporation Limited .....	44 King Street West Toronto, Ontario	101,500
	Total .....	203,000



### United States Underwriters

In the United States Underwriting Agreement, the United States Underwriters named below have severally agreed to purchase from the Company the respective numbers of Units set forth below, if any are purchased.

<u>Name</u>	<u>Address</u>	<u>Number of Units</u>
Bear, Stearns & Co. ....	One Wall Street New York 5, N. Y.	32,500
Hemphill, Noyes & Co. ....	15 Broad Street New York 5, N. Y.	32,500
A. C. Allyn and Company, Incorporated ....	122 South La Salle St. Chicago 3, Illinois	10,500
Eastman Dillon, Union Securities & Co. ....	15 Broad Street New York 5, N. Y.	13,000
Goldman, Sachs & Co. ....	20 Broad Street New York 5, N. Y.	13,000
Kidder, Peabody & Co. Incorporated ....	17 Wall Street New York 5, N. Y.	13,000
Kuhn, Loeb & Co. ....	30 Wall Street New York 5, N. Y.	14,500
Lehman Brothers ....	One William Street New York 4, N. Y.	14,500
Carl M. Loeb, Rhoades & Co. ....	42 Wall Street New York 5, N. Y.	13,000
Smith, Barney & Co. ....	20 Broad Street New York 5, N. Y.	13,000
Stone & Webster Securities Corporation ....	90 Broad Street New York 4, N. Y.	13,000
White, Weld & Co. ....	20 Broad Street New York 5, N. Y.	14,500
Total .....		197,000

The Company has been advised by Bear, Stearns & Co. and Hemphill, Noyes & Co., as Representatives of the United States Underwriters, that the United States Underwriters propose to offer the Units to the public initially at \$31.50 (U. S.) per Unit and to certain dealers at such price less a concession of \$.80 per Unit; that such Underwriters and such dealers may allow a discount of \$.25 per Unit on sales to other dealers; and that thereafter such public offering price and concessions and discounts to dealers may be changed.

Bear, Stearns & Co. owns 60,714 and a partner thereof owns 4,777 of the outstanding Common Shares of the Company, Hemphill, Noyes & Co. owns 54,845 and certain partners thereof own an aggregate of 10,646 Common Shares, Lehman Brothers owns 14,000 Common Shares, certain partners of Eastman Dillon, Union Securities & Co. own 310 Common Shares, the directors, officers and shareholders of Bankers Bond Corpora-



tion Limited own an aggregate of 18,000 Common Shares and the directors, officers and shareholders of McLeod, Young, Weir & Company Limited own an aggregate of 2,650 Common Shares. Mr. Leonard Dickson, a partner of Bear, Stearns & Co., and Mr. Deans, President of Bankers Bond Corporation Limited, are directors of the Company. Reference is made to the information under "Financing Program and Capitalization" and "Organization and Financial History".

### LEGAL OPINIONS

Legal matters in connection with this offering will be passed upon for the Company by Messrs. McCarthy & McCarthy, 330 University Avenue, Toronto, Ontario, and Messrs. Cravath, Swaine & Moore, 15 Broad Street, New York, N. Y.; and for the Underwriters by Messrs. Borden, Elliot, Kelley, Palmer & Sankey, 25 King Street West, Toronto, Ontario, and Messrs. Winthrop, Stimson, Putnam & Roberts, 40 Wall Street, New York, N. Y. In respect of matters of Canadian law Messrs. Cravath, Swaine & Moore and Messrs. Winthrop, Stimson, Putnam & Roberts will rely on the opinions of Messrs. McCarthy & McCarthy and Messrs. Borden, Elliot, Kelley, Palmer & Sankey, respectively, and in respect of matters of United States law Messrs. McCarthy & McCarthy and Messrs. Borden, Elliot, Kelley, Palmer & Sankey will rely on the opinions of Messrs. Cravath, Swaine & Moore and Messrs. Winthrop, Stimson, Putnam & Roberts, respectively.

### EXPERTS

The financial statements and schedules included herein and elsewhere in the Registration Statement have been included by the Company in reliance upon the opinion of Messrs. Riddell, Stead, Graham & Hutchison, chartered accountants, a copy of which is set forth herein, and on the authority of said firm as experts. The statements as to matters of Canadian law and Canadian legal conclusions in the first paragraph on page 3 hereof and under the headings "Proposed Operations", "Natural Gas Supply", "Regulation", "Franchises", "Offering of Units", "Description of Subordinated Debentures" and "Description of Common Shares" have been reviewed by Messrs. McCarthy & McCarthy and are included upon the authority of said firm as experts. Mr. Matthews, a director of the Company, is a partner in the firm of McCarthy & McCarthy, and he owns 5,000 Common Shares of the Company.



**ACCOUNTANTS' REPORTS**

The Directors,  
Northern Ontario Natural Gas Company Limited,  
Toronto, Ontario.

We have examined the balance sheet of Northern Ontario Natural Gas Company Limited as at 28th February 1957 and the summary of its receipts and expenditures for the period from 6th May 1954 (date of incorporation) to 28th February 1957. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of Northern Ontario Natural Gas Company Limited as at 28th February 1957 and the receipts and expenditures from the incorporation of the company to said date, all in conformity with generally accepted accounting principles.

RIDDELL, STEAD, GRAHAM & HUTCHISON  
Chartered Accountants.

Toronto, Ontario.  
10th May 1957.

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The Directors,  
Twin City Gas Company Limited,  
Fort William, Ontario.

We have examined the balance sheet of Twin City Gas Company Limited as at 28th February 1957 and the summary of its receipts and expenditures for the period from 12th November 1954 (date of incorporation) to 28th February 1957. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of Twin City Gas Company Limited as at 28th February 1957 and the receipts and expenditures from the incorporation of the company to said date, all in conformity with generally accepted accounting principles.

RIDDELL, STEAD, GRAHAM & HUTCHISON  
Chartered Accountants

Toronto, Ontario  
10th May 1957.

**NORTHERN ONTARIO NATURAL GAS COMPANY LIMITED**  
(Incorporated under the laws of the Province of Ontario)

**BALANCE SHEET AS AT 28th FEBRUARY 1957**

**ASSETS**

**INVESTMENT IN AND ADVANCE TO TWIN CITY GAS COMPANY LIMITED**

Investment in common shares, at cost .....	\$ 85,000.00	
Account receivable .....	9,500.00	\$94,500.00
	<hr/>	

**FIXED ASSETS**

Office furniture and equipment—at cost .....	8,788.40
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**OTHER ASSETS**

Security deposit .....	425.00	
Expense advances .....	450.00	875.00
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<b>PRELIMINARY DEVELOPMENT AND FRANCHISE ACQUISITION COSTS .....</b>	<b>283,885.56</b>	
	<hr/>	
		<b>\$388,048.96</b>
		<hr/> <hr/>

**LIABILITIES**

<b>BANK OVERDRAFT .....</b>	<b>\$ 737.59</b>
<b>ACCOUNTS PAYABLE .....</b>	<b>53,891.37</b>

**CAPITAL STOCK**

Authorized—	
2,000,000 shares of no par value	
Issued and fully paid—	
730,378 shares issued for cash .....	333,420.00
	<hr/>
	<b>\$388,048.96</b>
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The accompanying notes are an integral part of this balance sheet.

Approved on behalf of the Board.

Ralph K. Farris    Director.

C. Spencer Clark    Director.



## NORTHERN ONTARIO NATURAL GAS COMPANY LIMITED

Notes to Balance Sheet as at 28th February 1957

## NOTES:

1. The company was incorporated 6th May 1954 and has had no operating income to date.
2. The general nature of the business to be transacted by the company will be the construction and operation of a natural gas distribution system and the distribution of natural gas within the Province of Ontario. In connection therewith, franchise agreements to supply natural gas have been entered into with certain municipalities and the company has entered into agreements with Trans-Canada Pipe Lines Limited for the purchase of natural gas.
3. As at 10th May 1957, the company owned 500,000 shares of the capital stock of Twin City Gas Company Limited, representing 50% of the issued and outstanding capital stock of that company, carried at a net cost of \$82,500 in the accounts of the company as at that date.
4. In order to raise the necessary funds to defray the construction costs of the plant facilities initially required by the company and by Twin City Gas Company Limited, the company proposes to issue \$8,000,000 principal amount of 5¾% Subordinated Debentures due 1982 together with 400,000 common shares in units, each unit consisting of a debenture of \$20 principal amount and one common share. Of the net proceeds to be received from the sale of such units of debentures and shares, it is contemplated that an amount not exceeding \$3,500,000 will be applied toward the capital requirements of Twin City Gas Company Limited by way of investment in shares or other securities of that company.
5. The company also proposes to issue approximately \$12,000,000 principal amount of first mortgage bonds sometime subsequent to the issue of the debentures and common shares referred to in Note 4. No definite arrangements or commitments have been obtained with respect to the issuance and sale of such bonds. The terms which the bonds may have and the conditions on which they may be sold are not known at this time. The company contemplates that if the bonds or any part thereof shall not be issued as presently planned the company will endeavor to raise additional funds for its construction program through the issue and sale of other evidences of indebtedness and/or shares of capital stock of the company.
6. It is also proposed that application will be made for supplementary letters patent changing the company's shares without par value into shares with a par value of \$1 per share.

## NORTHERN ONTARIO NATURAL GAS COMPANY LIMITED

## SUMMARY OF RECEIPTS AND EXPENDITURES

For the Period from 6th May 1954 (Date of Incorporation)  
to 28th February 1957

	6th May 1954 to 31st December 1954	Year Ended 31st December 1955	Year Ended 31st December 1956	Two Months Ended 28th February 1957	Entire Period
<b>RECEIPTS</b>					
Proceeds from the sale of capital stock .....	\$ 18,000.00	\$ 48,329.00	\$229,591.00	\$ 37,500.00	\$333,420.00
TOTAL RECEIPTS .....	<u>\$ 18,000.00</u>	<u>\$ 48,329.00</u>	<u>\$229,591.00</u>	<u>\$ 37,500.00</u>	<u>\$333,420.00</u>
<b>EXPENDITURES</b>					
Preliminary development and franchise acquisition costs:					
General and office expenses—					
Advertising and promotion .....	\$ .00	\$ .00	\$ 5,319.23	\$ 2,345.35	\$ 7,664.58
Auditing .....	.00	.00	1,464.59	1,400.00	2,864.59
Bank charges .....	.00	12.13	500.94	87.72	600.79
General .....	.00	65.98	3,018.20	3,008.59	6,092.77
Printing and stationery .....	7.08	123.33	1,893.61	215.80	2,239.82
Rent .....	.00	.00	5,035.25	850.30	5,885.55
Telephone and telegraph .....	81.65	873.03	4,420.13	1,494.30	6,869.11
	<u>\$ 88.73</u>	<u>\$ 1,074.47</u>	<u>\$ 21,651.95</u>	<u>\$ 9,402.06</u>	<u>\$ 32,217.21</u>
Engineering fees and expenses .....	11,074.36	12,906.89	39,696.87	13,326.24	77,004.36
Legal fees and expenses in connection with franchises, organization, etc. ....	1,429.54	.00	23,250.00	12,762.67	37,442.21
Salaries .....	2,400.00	9,000.00	39,962.00	8,490.00	59,852.00
Travel .....	1,621.67	12,137.17	58,320.86	5,290.08	77,369.78
	<u>\$ 16,614.30</u>	<u>\$ 35,118.53</u>	<u>\$182,881.68</u>	<u>\$ 49,271.05</u>	<u>\$283,885.56</u>
Acquisition of shares of capital stock of Twin City Gas Company Limited .....	.00	.00	82,500.00	2,500.00	85,000.00
Expended on behalf of Twin City Gas Company Limited .....	.00	.00	.00	9,500.00	9,500.00
Purchase of office furniture and equipment ....	.00	.00	6,644.40	2,144.00	8,788.40
Security deposit and expense advances .....	.00	.00	425.00	450.00	875.00
TOTAL EXPENDITURES .....	<u>\$ 16,614.30</u>	<u>\$ 35,118.53</u>	<u>\$272,451.08</u>	<u>\$ 63,865.05</u>	<u>\$388,048.96</u>
EXCESS (OR DEFICIENCY) OF RECEIPTS OVER EXPENDITURES .....	\$ 1,385.70	\$ 13,210.47	(\$ 42,860.08)	(\$ 26,365.05)	(\$ 54,628.96)
INCREASE IN ACCOUNTS PAYABLE .....	1,045.94	11,782.93	4,938.11	36,124.39	53,891.37
INCREASE (OR DECREASE) IN CASH .....	<u>\$ 2,431.64</u>	<u>\$ 24,993.40</u>	<u>(\$ 37,921.97)</u>	<u>\$ 9,759.34</u>	<u>(\$ 737.59)</u>



**TWIN CITY GAS COMPANY LIMITED**  
(Incorporated under the laws of the Province of Ontario)

**BALANCE SHEET AS AT 28th FEBRUARY 1957**

ASSETS

CASH .....	\$ 44,176.32
FIXED ASSETS	
Land and buildings—at cost .....	65,140.10
PRELIMINARY DEVELOPMENT AND FRANCHISE ACQUISITION COSTS.....	21,257.96
	<u>\$130,574.38</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued charges .....	\$ 7,397.68	
Current maturities on long-term debt .....	9,668.50	
Amount payable to Northern Ontario Natural Gas Company Limited.....	9,500.00	\$26,566.18

LONG-TERM DEBT

Land purchase agreement with City of Port Arthur requiring the payment of \$3,168.50 on closing (included with current liabilities), with the balance payable within two years with interest at 6½% per annum .....	12,505.50	
5% Mortgage payable requiring annual instalment payments of \$6,500.00 on 15th July 1957 to 1959, inclusive, with the balance payable on 15th July 1960 (current maturity included with current liabilities) .....	28,500.00	41,005.50

CAPITAL STOCK

Authorized—		
2,000,000 shares of no par value		
Issued and fully paid—		
1,000,000 shares issued for cash .....		63,002.70
		<u>\$130,574.38</u>

NOTES:

1. The company was incorporated 12th November 1954 and has had no operating income to date.
2. The general nature of the business to be transacted by the company will be the construction and operation of a natural gas distribution system and the distribution of natural gas within the Province of Ontario. In connection therewith, franchise agreements to supply natural gas have been entered into with certain municipalities. A Precedent Agreement has been entered into with Northern Ontario Natural Gas Company Limited which provides for the execution of a contract for the purchase of natural gas from that company.

Approved on behalf of the Board.

Ralph K. Farris    Director.

C. Spencer Clark    Director.

## TWIN CITY GAS COMPANY LIMITED

## SUMMARY OF RECEIPTS AND EXPENDITURES

For the Period from 12th November 1954 (Date of Incorporation)  
to 28th February 1957\*

	Year Ended 31st Decem- ber 1956	Two Months Ended 28th February 1957	Entire Period
RECEIPTS			
Proceeds from the sale of capital stock .....	\$63,002.70	\$ .00	\$63,002.70
Expended on company's behalf by Northern Ontario Natural Gas Company Limited .....	.00	9,500.00	9,500.00
TOTAL RECEIPTS .....	<u>\$63,002.70</u>	<u>\$ 9,500.00</u>	<u>\$72,502.70</u>
EXPENDITURES			
Preliminary development and franchise acquisition costs:			
Engineering fees and expenses .....	\$ 1,217.26	\$ 9,500.00	\$10,717.26
Advertising and promotion .....	4,291.14	231.81	4,522.95
Legal fees and expenses in connection with franchises, organization, etc. ....	3,120.76	910.00	4,030.76
Interest .....	.00	1,093.15	1,093.15
General and office expenses .....	564.80	329.04	893.84
	<u>\$ 9,193.96</u>	<u>\$12,064.00</u>	<u>\$21,257.96</u>
Cost of land and buildings .....	65,140.10	.00	65,140.10
Less—			
Amount owing on land purchase agreement with City of Port Arthur .....	(15,674.00)	.00	(15,674.00)
Mortgage payable .....	(35,000.00)	.00	(35,000.00)
	<u>\$14,466.10</u>	<u>\$ .00</u>	<u>\$14,466.10</u>
TOTAL EXPENDITURES (Net) .....	<u>\$23,660.06</u>	<u>\$12,064.00</u>	<u>\$35,724.06</u>
EXCESS (OR DEFICIENCY) OF RECEIPTS OVER EXPENDITURES ..	\$39,342.64	(\$ 2,564.00)	\$36,778.64
INCREASE IN ACCOUNTS PAYABLE AND ACCRUED CHARGES	6,297.26	1,100.42	7,397.68
INCREASE (OR DECREASE) IN CASH .....	<u>\$45,639.90</u>	<u>(\$ 1,463.58)</u>	<u>\$44,176.32</u>

\*Although the company was incorporated on 12th November 1954, the first financial transaction was not made until 6th June 1956.



## STATUTORY INFORMATION

The following information is furnished in accordance with the provisions of The Securities Act (Ontario), The Securities Act, 1955 (Alberta), The Securities Act (Saskatchewan), The Security Frauds Prevention Act (New Brunswick) and the Quebec Securities Act:

- (a) The full name of the Company is NORTHERN ONTARIO NATURAL GAS COMPANY LIMITED (hereinafter called the "Company") and the address of its head office is 170 University Avenue, Toronto, Ontario.
- (b) The Company was incorporated under the laws of the Province of Ontario by letters patent dated May 6, 1954, and subsequently obtained supplementary letters patent dated November 15, 1955 and July 26, 1956, respectively, varying such letters patent.
- (c) The general nature of the business transacted or to be transacted by the Company is the construction and operation of a natural gas distribution system and the distribution of natural gas within the Province of Ontario.
- (d) The names in full, present occupations, and home addresses in full of the officers and directors of the Company are as follows:

### Directors

Donald Allan Clark	Executive	70 High Street South, Port Arthur, Ontario.
Charles Spencer Clark	Executive	1108 McGilvra Boulevard, Seattle, Washington.
Matthew Clifford Deans	Investment Dealer	71 Baby Point Crescent, Toronto, Ontario.
Leonard Dickson	Investment Banker	Box 274, R.D. 3, Newton, New Jersey.
Ralph Keirstead Farris	Executive	3751 Granville Street, Vancouver, British Columbia.
Beverley Matthews	Barrister	45 Ardmore Road, Toronto 10, Ontario.
Frank S Welters	Executive	7011 Marguerite Street, Vancouver, British Columbia.

### Officers

Ralph Keirstead Farris	President	3751 Granville Street, Vancouver, British Columbia.
Charles Spencer Clark	Executive Vice-President	1108 McGilvra Boulevard, Seattle, Washington.
John Windows Tomlinson	Vice-President and Chief Engineer	620 Avenue Road, Toronto, Ontario.
Harold Edwin Andrews	Secretary-Treasurer	30 Delwood Drive, Toronto 16, Ontario.

- (e) Messrs. Riddell, Stead, Graham & Hutchison, Chartered Accountants, 66 King Street West, Toronto, Ontario, are the Auditors of the Company.
- (f) National Trust Company, Limited, at its offices in the Cities of Montreal, Toronto and Vancouver, is the Transfer Agent and Registrar for the Shares of the Company in Canada and Chemical Corn Exchange Bank and Guaranty Trust Company of New York at their respective principal offices in The City of New York, New York, are the Transfer Agent and Registrar, respectively, for the Shares of the Company in the United States.

National Trust Company, Limited, 20 King Street East, Toronto, Ontario and Bankers Trust Company, 16 Wall Street, New York, New York will be the Trustees for the holders of the 5¾% Subordinated Debentures due 1982 proposed to be issued by the Company, and registers upon which fully registered Debentures shall be registered as to principal and interest and upon which coupon Debentures may be registered as to principal, and upon which transfers of Debentures so registered shall be recorded, will be kept by National Trust Company, Limited at its offices in the Cities of Montreal, Toronto and Vancouver and by Bankers Trust Company at its principal office in The City of New York, New York.

- (g) The authorized share capital of the Company consists of 2,000,000 Shares without par value, of which at the date hereof 730,378 Shares have been issued and are paid up. The board of directors of the Company has passed a resolution which authorizes, subject to the allotment of the Shares forming part of the Units which the Company proposes to issue as described in paragraph (i) hereof, an application to the Lieutenant Governor of the Province of Ontario for Supplementary Letters Patent changing its shares without par value into shares with the par value of \$1.00 each and incidental thereto reducing the then issued capital of the Company. Such resolution is subject to confirmation by the shareholders before such application can be made and will be submitted to the shareholders at the next meeting thereof.
- (h) Each Share in the authorized share capital of the Company is equal to every other Share and all Shares participate equally on liquidation or distribution of capital assets and enjoy equal rights to dividends and full voting rights of one vote per Share at all times.
- (i) The Company proposes to issue the following securities:
  1. \$8,000,000 aggregate principal amount of 5¾% Subordinated Debentures due 1982 (herein sometimes called the "Debentures") and 400,000 Shares of the Company. The interest on, and the principal of, the Debentures will be payable in Canadian funds. The Debentures and Shares will be offered in Units each consisting of a \$20 principal amount Debenture and one Share. All such Shares will be deposited pursuant to the terms of the Deposit Agreement hereinafter referred to.
  2. \$12,000,000 principal amount of First Mortgage Bonds (herein sometimes called the "Bonds"). No definite arrangements or commitments have been made or obtained with respect to the issuance and sale of the Bonds. The terms which the Bonds may have, and the conditions on which they may be sold, are not known at this time. It is anticipated, however, that the Bonds will be secured by a Deed of Trust and Mortgage (herein sometimes called the "Mortgage") constituting a first fixed and specific mortgage, pledge and charge, subject to certain exceptions as will be specified in the Mortgage, on substantially all the mortgageable property of the Company (including, to the extent mortgageable, its distribution systems and lateral lines, its franchises, gas purchase and certain gas sale, construction and other contracts, and all its holdings of securities of Twin City) owned at the time the Mortgage is executed and by a first floating charge upon the undertaking of the Company and all its chargeable property and assets, present



and future, situated in the Province of Ontario (other than specifically mortgaged property), subject to certain rights in favour of the Company. The Mortgage is expected to provide that the mortgage and charge thereby created shall extend not only to assets owned by the Company at the date of execution of the Mortgage but also to assets acquired thereafter and to provide for the execution by the Company from time to time of any instruments which may be necessary to make such mortgage and charge effective against such after-acquired assets, subject to such qualifications as may be set out in the Mortgage. The Mortgage is expected to include provisions for the issuance of the Bonds only against the deposit of cash with the trustees thereunder, which cash could be withdrawn only to reimburse the Company for certain construction costs. It is expected that the Mortgage will also include covenants restricting the Company's right to create additional debt (including debt represented by additional First Mortgage Bonds secured by the Mortgage) and its right to pay dividends or its right to make other distributions on its Shares, as well as additional provisions for the retirement of the Bonds through annual payments by the Company into a sinking fund. It is also anticipated that any agreement for the purchase of the Bonds will provide for the payment to the purchaser thereunder of a commitment fee from approximately the date hereof until the delivery of the Bonds with respect to which a commitment fee is payable and that the obligations of such purchaser to purchase the Bonds will be subject to various conditions relating to legal matters and the affairs of the Company, including the existence of necessary authorizations and franchises from public authorities and appropriate gas sales contracts. It is expected that the Company will pay to Bear, Stearns & Co., Hemphill, Noyes & Co., McLeod, Young, Weir & Company Limited and Bankers Bond Corporation Limited, as compensation for services in connection with arranging for the private placement and negotiating the terms of the Bonds, a total fee of \$120,000.

The Bonds, if and when issued, will rank ahead of the securities offered by this prospectus.

### **Subordinated Debentures**

The Debentures will be issued under and subject to the provisions of an Indenture (herein sometimes referred to as the "Indenture") to be made as of June 1, 1957, between the Company and National Trust Company, Limited and Bankers Trust Company, as Trustees (hereinafter referred to collectively as the "Trustees" and severally as the "Canadian Trustee" and the "United States Trustee", respectively), and will be limited to \$8,000,000 principal amount. The Debentures will be dated June 1, 1957 (except in the case of coupon Debentures and certain registered Debentures), will mature on June 1, 1982, and will bear interest at the rate of  $5\frac{3}{4}\%$  per annum. At the time of issuance of the Debentures, the Company will deposit in trust with the Trustees funds sufficient to pay interest on the Debentures for the period from June 1, 1957 to June 1, 1959. The principal of, and interest on, the Debentures will be payable in Canadian funds.

The Debentures are to be issued initially in fully registered form in denominations of \$20 and in multiples thereof. After January 2, 1958, such fully registered Debentures may be exchanged, at the option of the holders, without charge, for Debentures in coupon form registrable as to principal only, in denominations of \$500 and \$1,000 in equal principal amount. Coupon Debentures in the denomination of \$500 may be exchanged, without charge, for coupon Debentures in the denomination of \$1,000 in equal principal amount, and coupon Debentures in the denominations of \$500 and \$1,000 may be similarly exchanged without charge for fully registered Debentures in equal principal amount.

The payment of the principal of and interest on the Debentures will be subordinated in all respects, in the manner set forth in the Indenture, to the prior payment in full of all Prior Indebtedness, and in the event of default on Prior Indebtedness, no payments (with certain exceptions) will be permitted to be made on the Debentures. "Prior Indebtedness" will be defined, in effect, as the principal of and premium, if any,

and interest on (a) indebtedness of the Company now outstanding or hereafter incurred for money borrowed from or guaranteed to others (including indebtedness represented by the Bonds proposed to be issued as mentioned above) and (b) indebtedness of the Company incurred, assumed or guaranteed in connection with the acquisition by it of any business, properties or other assets, if in each case the instrument creating or evidencing such indebtedness provides that such indebtedness is Prior Indebtedness and is superior in right of payment to the Debentures. The Trustees will be authorized from time to time to deliver deeds expressly subordinating the Debentures to Prior Indebtedness. Funds deposited with the Trustees, for the payment of interest on the Debentures for the period from June 1, 1957 to June 1, 1959, will not be subject to the subordination provisions of the Indenture.

The Indenture will not restrict the right of the Company to issue additional indebtedness of any rank or class or to create liens on any property of the Company.

The Debentures are to be redeemable at any time as a whole or from time to time in part at the option of the Company, or for sinking fund purposes, on not less than thirty days' notice, at 100% of the principal amount thereof plus accrued interest thereon to the date fixed for redemption.

The Indenture will contain provisions for a sinking fund payment by the Company to the Trustees on or before May 31 in each year, commencing in 1963, of an amount equal to the smaller of (a) \$150,000 in each of the years 1963-1967, \$250,000 in each of the years 1968-1977 and \$400,000 in each of the years 1978-1981 or (b) 50% of the Sinking Fund Net Income (as defined below) of the Company for the preceding fiscal year; *provided, however*, that no such sinking fund payment shall be payable in any year to the extent that, after giving effect to the payment thereof, the aggregate amount paid to the sinking fund and otherwise expended for the purchase, redemption or acquisition of Debentures plus the aggregate amount of all dividends and distributions (payable otherwise than in shares of capital stock of the Company) declared or paid on any shares of its capital stock and the aggregate amount paid for the purchase, redemption or acquisition of any shares of its capital stock (other than shares so acquired in exchange for or from the proceeds of a substantially concurrent sale of other shares of its capital stock or out of contributions to the capital of the Company) subsequent to May 6, 1954, would exceed the aggregate amount of the Consolidated Net Earnings (as will be defined in the Indenture) subsequent to May 6, 1954, provided that if Consolidated Net Earnings shall show a loss for any fiscal year, such loss shall be offset against and shall reduce by the amount of such loss the Consolidated Net Earnings of other periods to be taken into account for purposes of the foregoing provision. Funds so paid to the Trustees are to be used to redeem Debentures, selected by lot, on the next succeeding June 1. The Company will be permitted to credit against its sinking fund obligations Debentures acquired by the Company for or redeemed or called for redemption otherwise than through the sinking fund and otherwise than for the purpose of satisfying the condition referred to in clause (c) of the immediately succeeding paragraph. The term "Sinking Fund Net Income" will be defined, in effect, to mean the sum of the Consolidated Net Earnings for such fiscal year plus all amounts provided during such fiscal year for depreciation and amortization less (i) all amounts accrued during such fiscal year for sinking, purchase or analogous funds in respect of Prior Indebtedness, and (ii) all amounts due or paid in respect of principal of and premium, if any, on Prior Indebtedness other than as a result of voluntary redemption or prepayment or of redemptions through sinking, purchase or analogous funds, provided, however, that if Sinking Fund Net Income shall show a deficit for any fiscal year, such deficit shall be carried forward to the succeeding fiscal year or years.

The Indenture will prohibit the Company from paying or declaring any dividend or making any other distribution upon its capital stock or acquiring for a consideration any of its capital stock (excluding from such restriction and from the following calculation dividends paid in capital stock and capital stock acquired in exchange for or from the proceeds of a substantially concurrent sale of other capital stock or out



of contributions to the capital of the Company), (a) if after giving effect to such payment or distribution or acquisition the cumulative aggregate amount of all dividends and distributions declared or paid on the capital stock and the amount paid for the acquisition of capital stock subsequent to May 6, 1954, exceeds the aggregate amount of the Consolidated Net Earnings (as so defined) subsequent to May 6, 1954, provided that if Consolidated Net Earnings shall show a loss for any fiscal year such loss shall be offset against and shall reduce by the amount of such loss the Consolidated Net Earnings of other periods to be taken into account for purposes of the foregoing provision, or (b) if any instalment of interest which is due on the Debentures has not been paid or if any required sinking fund payment has not been made, or (c) in the event that the amount contemplated by clauses (a) and (b) in the preceding paragraph hereof to be paid into the sinking fund on or before any May 31 shall not be required so to be paid by reason of the *proviso* to said clauses, until the Company shall have delivered to the Trustees Debentures, or redeemed or called for redemption Debentures, in a principal amount equal to such amount not paid into the sinking fund by reason of said *proviso*.

The Indenture and the rights of the Debenture holders may be modified by the Company and the Trustees with the consent of holders of a majority in aggregate principal amount of the Debentures at the time outstanding given either at a meeting of Debenture holders or in writing; but no extension of the maturity of the Debentures, or reduction in the rate of interest thereon or change in sinking fund requirements or modification in the terms of payment of principal or interest or reduction of the aforesaid percentage required for modification will be effective against any Debenture holder without his consent.

The Indenture will provide that the rights, powers, duties and obligations conferred or imposed upon the Trustees or either of them by the Indenture shall be conferred and imposed upon and exercised or performed by the United States Trustee or jointly by the United States Trustee and the Canadian Trustee, except to the extent that, where under any law of any jurisdiction the United States Trustee shall be incompetent or unqualified to perform any particular act or acts, such act or acts shall be exercised and performed by the Canadian Trustee.

### Shares—Deposit Agreement

The 400,000 Shares forming part of the Units of Debentures and Shares referred to above will be deposited with National Trust Company, Limited, as Depositary pursuant to a Deposit Agreement between the Company and National Trust Company, Limited. The Deposit Agreement will provide that prior to the close of business on January 6, 1958, the Depositary will mail to each registered holder of a Debenture of record at the close of business on January 1, 1958, one Share for each \$20 principal amount of Debentures held by him. Prior to January 2, 1958 (or as to any Debenture which shall be redeemed, its redemption date), the Units will be transferable only as a whole, including the Shares applicable thereto still held by the Depositary, and any transfer of a Debenture will constitute a transfer of the holder's beneficial interest in such Shares. Pursuant to the Deposit Agreement, the beneficial owners of the Shares, as their names appear on the Debenture registers, will be entitled to receive from the Depositary proxies to vote such shares.

- (j) There is no substantial indebtedness to be created or assumed by the Company at the present time which is not shown in the balance sheet of the Company as at February 28, 1957 forming part of this prospectus except the Debentures and the Bonds (if and when issued) referred to in paragraph (i) above.
- (k) There are no securities of the Company covered by options outstanding or proposed to be given by the Company.
- (l) The securities offered by this prospectus and the terms thereof are as set out in paragraph (i) hereof and the prices payable to the Company for such securities are as stated in the underwriting

agreements set out in paragraph (p) hereof. The issue price to the public in Canada of the Units of Debentures and Shares which are offered by this prospectus is as stated on the face of this prospectus to which reference is hereby expressly made. Three offers of securities were made within the two preceding years to all shareholders of the Company. 10,630 shares (53,150 shares as presently constituted) were offered on November 17, 1955 to all shareholders of the Company of record as of November 16, 1955, of which 10,580 shares (52,900 shares as presently constituted) were issued to such shareholders for an aggregate consideration of \$26,450. 12,199 shares (60,995 shares as presently constituted) were offered on June 1, 1956 to all shareholders of the Company of record as of May 28, 1956, of which 12,199 shares (60,995 shares as presently constituted) were issued to such shareholders for an aggregate consideration of \$91,492.50. Following this offer the authorized share capital of the Company was subdivided by supplementary letters patent dated July 26, 1956 five for one. 44,728 shares (as so subdivided) were offered on July 26, 1956 to all shareholders of the Company of record as of July 25, 1956, of which 28,129 shares were issued to such shareholders for an aggregate consideration of \$70,322.50. All these shares were duly paid for in cash and no commission was paid or is payable.

- (m) The estimated net proceeds to be derived by the Company from the sale of the Units of Debentures and Shares on the basis of the same being fully taken up and paid for will be approximately \$11,410,667 (after deduction of underwriting discounts and expenses and on the basis of converting U. S. funds to Canadian funds at a discount of 4%).
- (n) The net proceeds of the sale by the Company of the Units of Debentures and Shares referred to in paragraph (i) hereof will be used by the Company as follows:
  1. \$920,000 (Canadian funds) will be deposited with the Trustees in trust for the holders of the Debentures for the payment of interest on such Debentures for the period from June 1, 1957 to June 1, 1959.
  2. An amount not exceeding \$3,500,000 may be applied towards the capital requirements of Twin City Gas Company Limited, a company incorporated under the laws of the Province of Ontario (of whose outstanding shares the Company beneficially owns 50%), by way of investment in shares or other securities of that company, and the balance of the proceeds will be added to the general funds of the Company and will be applied towards the cost of construction of the Company's proposed natural gas distribution system. It is anticipated that the remaining funds required for these purposes will be raised in part through the issue at a later date of First Mortgage Bonds or other securities of the Company and in part from funds generated from the operations of the Company.
- (o) The minimum amount which, in the opinion of the Directors of the Company, must be raised by the issue of the Shares proposed to be sold by the Company as part of the Units offered by this Prospectus in order to provide (together with the funds proposed to be raised, in part, through the issue at a later date of First Mortgage Bonds or other securities of the Company and in part from funds generated from the operations of the Company) the balance of the sums required for the purposes specified in paragraph (n) above, over and above the \$7,704,551 estimated to be realized from the sale of the Debentures, is \$3,852,276.
- (p) The Company under date of June 4, 1957 entered into underwriting agreements with Bear, Stearns & Co., Hemphill, Noyes & Co. and others (herein sometimes called the "United States Underwriters") and McLeod, Young, Weir & Company Limited and Bankers Bond Corporation Limited (herein sometimes called the "Canadian Underwriters") respectively for the sale by the Company and the purchase by the United States Underwriters and the Canadian Underwriters of the Units of the Debentures and



Shares offered by this prospectus, at a price to the Canadian Underwriters of \$28.75 (Canadian) per Unit and at a price to the United States Underwriters of \$30.20 (U. S.) per Unit, in each case plus accrued interest on the Debentures, and payable in cash against delivery of the Units, subject to compliance with the necessary legal formalities and the terms and conditions stated in such agreements.

(q) The by-laws of the Company contain the following provisions as to the remuneration of directors:

“The directors shall be paid such remuneration, if any, as the board may from time to time determine. Any remuneration so payable to a director who is also an officer or employee of the Company or who is counsel or solicitor to the Company or otherwise serves it in a professional capacity shall be in addition to his salary as such officer or to his professional fees as the case may be. In addition the board may by resolution from time to time award special remuneration out of the funds of the Company to any director who performs any special work or service for, or undertakes any special mission on behalf of, the Company outside the work or services ordinarily required of a director of the Company. The directors shall also be paid such sums in respect of their out-of-pocket expenses incurred in attending board, committee or shareholders’ meetings or otherwise in respect of the performance by them of their duties as the board may from time to time determine. No confirmation by the shareholders of any such remuneration or payment shall be required.”

(r) The aggregate remuneration paid by the Company during its last financial year ended December 31st, 1956 to the directors of the Company as such was nil and to those officers who individually received or were entitled to receive remuneration in excess of \$10,000 per annum was \$12,100. It is estimated that the aggregate remuneration to be paid or which will be payable during the current financial year to directors as such will be nil and to officers who individually will receive or be entitled to receive remuneration in excess of \$10,000 per annum will be \$32,850.

(s) No amount has been paid by the Company within the two years preceding the date of this prospectus or is now payable as a commission by the Company for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in, or obligations of the Company. Reference is made to paragraph (p) hereof for the prices per Unit at which the Units of the Debentures and Shares offered by this prospectus are to be sold to the United States Underwriters and the Canadian Underwriters, respectively. Reference is also made to paragraph (i) hereof for the total fee the Company expects to pay to Bear, Stearns & Co., Hemphill, Noyes & Co., McLeod, Young, Weir & Company Limited and Bankers Bond Corporation Limited as compensation for services in connection with arranging for the private placement and negotiating the terms of the Bonds.

(t) The Company has been carrying on business for more than one year.

(u, v) Except for contracts entered into or to be entered into in connection with the acquisition of pipe, pipeline and gas distribution materials, properties, easements and rights of way and services required with respect to the construction of the Company's proposed natural gas distribution system referred to in paragraph (n) hereof, and except as to transactions entered into or to be entered into in the ordinary course of operations or on the general credit of the Company, no property has been purchased or acquired by the Company, or is proposed to be purchased or acquired, the purchase price of which is to be defrayed in whole or in part out of the proceeds of the securities offered by this prospectus.

(w) No securities have been issued or agreed to be issued by the Company as fully or partly paid up otherwise than in cash within the two years preceding the date of this prospectus.

- (x) The Debentures forming part of the Units offered by this prospectus will be issued under and subject to the provisions of the Indenture referred to in paragraph (i) hereof. Such Debentures will, in the opinion of Counsel, be direct obligations of the Company and will not be secured by any charge.
- (y) No services within the two years preceding the date of this prospectus have been or are proposed to be paid for by securities of the Company. The cost of services rendered and to be rendered to the Company in connection with the acquisition of the properties and assets described in paragraph (u, v) hereof including engineering, legal and auditing expenses and the legal, auditing, printing and miscellaneous expenses in connection with the issue of the securities offered by this prospectus will be paid for out of the proceeds of the securities offered by this prospectus.
- (z) No amount has been paid within the two years preceding the date of this prospectus or is intended to be paid to any promoter, other than by way of reimbursement for traveling expenses.
- (za) In addition to contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company, the Company has entered into the following material contracts within the two years preceding the date of this prospectus:

(1) Agreement dated January 24, 1956 between Trans-Canada Pipe Lines Limited and the Company for the purchase of natural gas by the Company in the Western Rate Zone of Trans-Canada Pipe Lines Limited in the Province of Ontario.

(2) Agreement dated January 24, 1956 between Trans-Canada Pipe Lines Limited and the Company for the purchase of natural gas by the Company in the Northern Rate Zone of Trans-Canada Pipe Lines Limited in the Province of Ontario.

(3) Agreement dated January 24, 1956 between Trans-Canada Pipe Lines Limited and the Company for the purchase of natural gas by the Company in the Central Rate Zone of Trans-Canada Pipe Lines Limited in the Province of Ontario.

(4) Precedent Agreement dated June 21, 1956 between Twin City Gas Company Limited and the Company for the proposed purchase of natural gas by Twin City Gas Company Limited from the Company.

(5) Agreement dated June 3, 1957, between the Company and Fish Service Corporation providing for the rendering of certain engineering and other services to the Company in connection with the construction of the Company's proposed natural gas distribution system.

(6) Underwriting Agreement dated June 4, 1957 between the Company and Bear, Stearns & Co. and Hemphill, Noyes & Co., as representatives of the several United States Underwriters named therein, providing for the sale of 197,000 Units consisting of \$3,940,000 principal amount of Debentures and 197,000 Shares of the Company.

(7) Underwriting Agreement dated June 4, 1957 between the Company and McLeod, Young, Weir & Company Limited and Bankers Bond Corporation Limited providing for the sale of 203,000 Units consisting of \$4,060,000 principal amount of Debentures and 203,000 Shares of the Company.

(8) On or about June 3, 1957, the Company orally agreed with Bear, Stearns & Co., Hemphill, Noyes & Co., McLeod, Young, Weir & Company Limited and Bankers Bond Corporation Limited to pay them \$120,000 as compensation for services in connection with arranging for the private placement and negotiating the terms of the First Mortgage Bonds referred to in paragraph (i) hereof.

Copies of the said contracts (other than the said oral agreement) and (when executed) of the Indenture and the Deposit Agreement referred to in paragraph (i) hereof may be inspected at the head office of the Company during the usual business hours on any business day during the course of primary distribution to the public of the securities offered by this prospectus.



- (zb) The Company does not propose to acquire any property in which any Director of the Company has an interest. The Company has entered into underwriting agreements as set forth in paragraph (za) hereof with, among others, Bear, Stearns & Co. of which firm Leonard Dickson, a Director of the Company, is a partner and Bankers Bond Corporation Limited of which firm Matthew Clifford Deans, a Director of the Company, is President. Reference is made to paragraph (n) 2 hereof for information as to the application by the Company of an amount not exceeding \$3,500,000 to the capital requirements of Twin City Gas Company Limited. The Company owns beneficially 50% of the outstanding shares of Twin City Gas Company Limited. Ralph K. Farris, C. Spencer Clark, Leonard Dickson, Beverley Matthews, and Donald A. Clark, Directors of the Company, are Directors of Twin City Gas Company Limited.
- (zc) The Company has been carrying on business since May 6, 1954. The Company has acquired 50% of the outstanding shares of Twin City Gas Company Limited, which has been carrying on business since November 12, 1954.
- (zd) No persons are known who by reason of beneficial ownership of securities of the Company or any agreement in writing are in a position to or are entitled to elect or cause to be elected a majority of the directors of the Company.
- (ze) No securities of the Company are to the knowledge of the Company held in escrow.
- (zf) No dividends have been paid by the Company to the date of this prospectus.

DATED the 4th day of June, 1957.

The foregoing declarations constitute full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Section 39 of The Securities Act (Ontario), by Section 13 of The Security Frauds Prevention Act (New Brunswick), by the Quebec Securities Act, by Section 39 of The Securities Act (Saskatchewan) and by Part IX of The Securities Act, 1955 (Alberta), and there is no further material information applicable other than in the financial statements or reports where required.

### DIRECTORS

D. A. Clark	Ralph K. Farris
.....*	.....
D. A. Clark	Ralph K. Farris
C. Spencer Clark	Beverley Matthews
.....	.....*
C. Spencer Clark	Beverley Matthews
M. C. Deans	F. S. Welters
.....	.....*
M. C. Deans	F. S. Welters
Leonard Dickson	
.....*	
Leonard Dickson	

\*By their Agent

Ralph K. Farris  
 .....  
 Ralph K. Farris

### PROMOTERS

Ralph K. Farris	C. Spencer Clark
.....	.....
Ralph K. Farris	C. Spencer Clark

## CANADIAN UNDERWRITERS

To the best of our knowledge, information and belief, the foregoing declarations constitute full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Section 39 of The Securities Act (Ontario), by Section 13 of The Security Frauds Prevention Act (New Brunswick), by the Quebec Securities Act, by Section 39 of The Securities Act (Saskatchewan) and by Part IX of The Securities Act, 1955 (Alberta), and there is no further material information applicable other than in the financial statements or reports where required or exigible. In respect of matters which are not within our knowledge we have relied upon the accuracy and adequacy of the foregoing.

McLEOD, YOUNG, WEIR & COMPANY LIMITED

BANKERS BOND CORPORATION LIMITED

by J. H. Ratcliffe

by M. C. Deans

.....

.....

J. H. Ratcliffe

M. C. Deans

The following are the names of all persons having an interest directly or indirectly to the extent of not less than five per centum in the capital of each of the undersigned underwriters.

Name of Underwriter

Name of Interested Person

McLEOD, YOUNG, WEIR & COMPANY LIMITED

J. H. Ratcliffe  
W. H. R. Jarvis  
H. S. Backus  
R. A. Jarvis  
F. O. Evans  
J. S. Dinnick  
J. E. Langdon

BANKERS BOND CORPORATION LIMITED

M. C. Deans  
C. L. McCutcheon

















OFFER

BY

NORTHERN ONTARIO NATURAL GAS COMPANY LIMITED

May 27, 1965

To the Holders of Common Shares of  
Lakeland Natural Gas Limited

Northern Ontario Natural Gas Company Limited ("Northern"), the owner of 725,338 common shares of Lakeland Natural Gas Limited ("Lakeland"), hereby offers, on the undermentioned terms and conditions, to acquire all the remaining outstanding common shares of Lakeland on the following basis:

Residents of Canada

Shareholders who are residents of Canada are offered the choice of (i) selling their common shares of Lakeland at \$8.75 per share, payable in cash in Canadian currency, or (ii) exchanging their common shares of Lakeland for common shares of Northern on the basis of one fully paid and non-assessable common share without par value of Northern for each 3¼ common shares of Lakeland (subject to certain partial payments in cash as hereinafter provided). Northern will not accept common shares of Lakeland tendered to it for exchange under the terms of this Offer by any person, or his agent, who appears to be, or who Northern has reason to believe is, not a resident of Canada.

Non-residents of Canada

Shareholders who are not residents of Canada are offered \$8.75 per share, payable in cash in Canadian currency.

Manner of Acceptance

This Offer may be accepted by depositing with National Trust Company, Limited (the "Depository") at its principal office in any of the Cities of Toronto, Montreal or Vancouver the certificate or certificates representing the common shares of Lakeland in respect of which this Offer is accepted, duly endorsed in blank for transfer or accompanied by an appropriate stock transfer power duly executed in blank with signature guaranteed in either case by a Canadian chartered bank or trust company or by a firm having membership in a recognized stock exchange, or in some other manner satisfactory to the Depository, together with a letter of transmittal duly completed and signed. Shareholders who wish to sell their common shares of Lakeland at \$8.75 per share in accordance with the terms of this Offer should complete the appropriate letter of transmittal enclosed herewith and printed on white paper. Shareholders who are residents of Canada and who wish to accept this Offer by exchanging their common shares of Lakeland for common shares of Northern should complete the letter of transmittal printed on blue paper which is enclosed herewith in the case of all such shareholders.

Expiry Date

This Offer will remain open for acceptance until June 30, 1965.

Payment and Delivery of Common Shares by Northern

This Offer is not conditional upon acceptance by the holders of any minimum number or proportion of the common shares of Lakeland. Cheques (payable at par at any branch in Canada of Northern's banker) in payment for common shares of Lakeland deposited pursuant to this Offer or certificates representing common shares of Northern exchanged for common shares of Lakeland deposited pursuant to this Offer and cheques issued with respect to partial payments in cash, as the case may be, will be mailed to each Lakeland shareholder accepting this Offer, at the address specified in the letter of transmittal or in the event that no such address is specified, at the address of such shareholder as the same appears on the books of Lakeland, not later than 10 days after the Lakeland shares are so deposited pursuant to this Offer.

Fractions of Common Shares of Northern will not be issued

Fractions of common shares of Northern will not be issued. Where the number of common shares of Lakeland deposited for exchange into common shares of Northern is not evenly divisible by 3¼ the maximum possible number of full common shares of Northern will be issued. Any leftover common shares of Lakeland (which will be less than 3¼ shares in every case) will be purchased by Northern at the rate of \$8.75 per share, payable in cash in Canadian currency. The following table sets out some examples of the exchange of various quantities of Lakeland common shares:

Exchange Examples

No. of Lakeland common shares deposited	No. of Northern common shares received in exchange	No. of leftover Lakeland common shares	Cash payment for leftover Lakeland common shares
10	3	¼	\$ 2.19
25	7	2¼	19.69
50	15	1¼	10.94
100	30	2½	21.88
500	153	2¾	24.06
1000	307	2¼	19.69



### **Security Transfer Taxes**

Northern will pay all provincial security transfer taxes payable in respect of the acquisition of shares hereunder.

### **Lakeland Share Purchase Warrants**

Holders of share purchase warrants of Lakeland who wish to accept this Offer must first exercise such warrants and the common shares of Lakeland issued to them pursuant to such exercise may then be tendered in acceptance of this Offer.

### **Ontario Law**

This Offer and every contract resulting from the acceptance hereof shall be interpreted in accordance with and governed by the laws of the Province of Ontario.

NORTHERN ONTARIO NATURAL GAS COMPANY LIMITED

By E. C. BOVEY  
*President*

INFORMATION REGARDING STOCK PRICES AND DIVIDENDS

Ranges of Stock Prices

The following table gives the price ranges of the common shares of Northern and Lakeland on The Toronto Stock Exchange during the years and months shown.

	NORTHERN		LAKELAND	
	High	Low	High	Low
1960	16 <sup>3</sup> / <sub>8</sub>	11	\$2.80	\$1.80
1961	20 <sup>5</sup> / <sub>8</sub>	13 <sup>3</sup> / <sub>8</sub>	3.10	1.85
1962	22 <sup>1</sup> / <sub>4</sub>	13 <sup>3</sup> / <sub>4</sub>	2.80	2.05
1963	21	17 <sup>1</sup> / <sub>4</sub>	4.90	2.40
1964	24 <sup>1</sup> / <sub>2</sub>	18 <sup>3</sup> / <sub>8</sub>	7.75	4.35
November, 1964	24 <sup>1</sup> / <sub>4</sub>	22 <sup>5</sup> / <sub>8</sub>	7 <sup>3</sup> / <sub>8</sub>	6 <sup>3</sup> / <sub>4</sub>
December, 1964	23	22 <sup>1</sup> / <sub>4</sub>	6 <sup>7</sup> / <sub>8</sub>	6 <sup>1</sup> / <sub>2</sub>
January, 1965	25	22 <sup>3</sup> / <sub>4</sub>	7 <sup>1</sup> / <sub>2</sub>	6 <sup>5</sup> / <sub>8</sub>
February, 1965	25 <sup>3</sup> / <sub>8</sub>	23 <sup>7</sup> / <sub>8</sub>	8 <sup>1</sup> / <sub>2</sub>	7 <sup>5</sup> / <sub>8</sub>
March, 1965	26 <sup>1</sup> / <sub>2</sub>	25	8 <sup>1</sup> / <sub>2</sub>	8 <sup>1</sup> / <sub>4</sub>
April, 1965	28 <sup>1</sup> / <sub>4</sub>	26 <sup>1</sup> / <sub>2</sub>	8 <sup>3</sup> / <sub>8</sub>	8 <sup>1</sup> / <sub>4</sub>

Dividends per Common Share

NORTHERN—Dividends on the common shares of Northern.

Amount Per Share	Date of Payment
12 <sup>1</sup> / <sub>2</sub> ¢	September 1, 1962
12 <sup>1</sup> / <sub>2</sub> ¢	December 1, 1962
12 <sup>1</sup> / <sub>2</sub> ¢	March 1, 1963
12 <sup>1</sup> / <sub>2</sub> ¢	June 1, 1963
12 <sup>1</sup> / <sub>2</sub> ¢	September 1, 1963
12 <sup>1</sup> / <sub>2</sub> ¢	December 1, 1963
13 <sup>3</sup> / <sub>4</sub> ¢	March 1, 1964
13 <sup>3</sup> / <sub>4</sub> ¢	June 1, 1964
13 <sup>3</sup> / <sub>4</sub> ¢	September 1, 1964
13 <sup>3</sup> / <sub>4</sub> ¢	December 1, 1964
15¢	March 1, 1965
15¢	June 1, 1965 (payable to shareholders of record on May 15, 1965)

LAKELAND—No dividends have been paid on the common shares of Lakeland.



## INFORMATION REGARDING NORTHERN

### General

Northern was incorporated under the laws of the Province of Ontario in 1954 and was formed for the purpose of constructing and operating natural gas distribution facilities in municipalities located in an area extending about 1,100 miles from a point near the Manitoba-Ontario border to a point about 80 miles north of the City of Toronto. The combined population of the municipalities being served is approximately 430,000. Directly and indirectly through its principal subsidiary, Twin City Gas Company Limited (hereinafter sometimes referred to as "Twin City"), which is 97.8% owned, Northern now owns and operates transmission and distribution systems (hereinafter sometimes collectively referred to as the "system") for the distribution of natural gas to industrial, commercial and residential consumers. The system now consists of 285 miles of transmission lines, connecting the system at 29 points with the main transmission line of Trans-Canada Pipe Lines Limited and 716 miles of distribution lines. A map showing the location of the system and the main communities which it serves is included in this circular.

Northern or Twin City have contracts to supply natural gas to the large industrial fuel consumers in the communities served and are supplying approximately 65% of their aggregate fuel requirements. Northern or Twin City also have contracts to serve 972 large commercial and small industrial customers. This represents approximately 75% of the customers of these classes who could be served by the system. It is estimated that the system could serve about 77,000 residential and small commercial customers and at December 31, 1964 there were approximately 52,000 active customers of these classes representing 68% of such market potential. The system is now operating at an average annual load factor of 91% which enables Northern to purchase its supply of gas at advantageous prices.

The natural gas supply for the system is obtained under contracts between Northern and Trans-Canada Pipe Lines Limited (hereinafter sometimes referred to as "Trans-Canada"). Additional information regarding these contracts is given hereinafter in the section headed "Natural Gas Supply".

On February 12, 1965 Northern acquired 693,426 common shares (47% of the issued common shares at the date of acquisition) of Lakeland at a price of \$8.65 per share and subsequently has acquired an additional 31,912 common shares of Lakeland at various prices not in excess of \$8.75 per share. At the time of the initial acquisition Northern announced that it had agreed to make an offer to acquire the remaining Lakeland common shares on the basis of \$8.65 or more per share or at the option of Northern on the basis of \$8.65 or more per share or shares of Northern or part cash and part shares of Northern.

### Capitalization

The capitalization of Northern as at May 15, 1965 was as follows:

	<u>Authorized</u>	<u>Outstanding</u>
<b>FUNDED DEBT</b>		
First Mortgage and Collateral Trust Bonds.....	(1)	
6% Series due July 1, 1978.....	\$ 6,900,000	\$5,636,000
5½% Series due July 1, 1978.....	5,100,000 (U.S.)	4,166,000 (U.S.)
5¾% Series due July 15, 1982.....	5,000,000	4,775,000
5¾% Series due July 1, 1983.....	6,000,000	6,000,000
6% Notes due April 15, 1975.....	2,000,000 (U.S.) (1)	1,860,000 (U.S.)
5¾% Subordinated Debentures due June 1, 1982.....	8,000,000 (2)	7,700,000
6% Subordinated Sinking Fund Debentures due May 1, 1985.	5,000,000 (3)	4,700,000
<b>SHARE CAPITAL</b>		
First Preference Shares, with a par value of \$50 each, issuable in series.....	60,000 shs. (6)	
Second Preference Shares, with a par value of \$25 each, issuable in series.....	400,000 shs.	
\$1.06 Cumulative Redeemable Convertible Second Preference Shares, Series A (4).....		325,000 shs.
Common Shares without par value.....	3,131,895 shs. (5)	1,648,446 shs.

- NOTES: (1) The authorized aggregate principal amount of First Mortgage and Collateral Trust Bonds which may be outstanding at any time is unlimited but First Mortgage and Collateral Trust Bonds in addition to those shown above may only be issued subject to the restrictions contained in the deed of trust and mortgage dated as of June 1, 1958 and made between Northern and Montreal Trust Company, as Trustee, as such deed of trust and mortgage has been heretofore amended and supplemented, the said deed of trust and mortgage, as so amended and supplemented, being hereinafter referred to as the "Mortgage." The Mortgage and two agreements dated March 11, 1960 between Northern and Morgan Guaranty Trust Company of New York, as Agent in each case for an institutional investor, pursuant to which the 6% Notes due April 15, 1975 are issued, restrict the incurring of specified indebtedness except under certain conditions.
- (2) The Trust Indenture under which the 5¾% Subordinated Debentures due June 1, 1982 are issued does not contain any restriction or limitation on the right of Northern to issue or incur any indebtedness, either secured or unsecured, ranking senior to, pari passu with, or junior to, such 5¾% Subordinated Debentures due June 1, 1982.
- (3) The Trust Indenture under which the 6% Subordinated Sinking Fund Debentures due May 1, 1985 are issued does not contain any restriction or limitation on the right of Northern to issue or incur any indebtedness, either secured or unsecured, ranking senior to, pari passu with, or junior to, such 6% Subordinated Sinking Fund Debentures due May 1, 1985, except that Northern has covenanted that it will not enter into any instrument which provides that any indebtedness represented by the 6% Notes due April 15, 1975 of Northern, or any unsecured indebtedness of Northern issued in payment or refunding of such Notes, shall be superior in right of payment to the 6% Subordinated Sinking Fund Debentures due May 1, 1985.
- (4) The \$1.06 Cumulative Redeemable Convertible Second Preference Shares, Series A are convertible into a maximum of 260,000 common shares.
- (5) 6,600 common shares are reserved for issuance against the exercise of options granted to officers and other employees of Northern or of subsidiaries. As at December 31, 1964, 3,000 common shares were so reserved and during 1965 options with respect to 900 common shares were exercised and options with respect to 4,500 common shares were granted to three key employees. 10,000 common shares are reserved for issuance against the exercise of share purchase warrants issued to an institutional investor.
- (6) Northern has made an application for supplementary letters patent creating an additional 240,000 first preference shares, each ranking on a parity with the existing first preference shares of Northern.

### Revenue, Sales and Customers

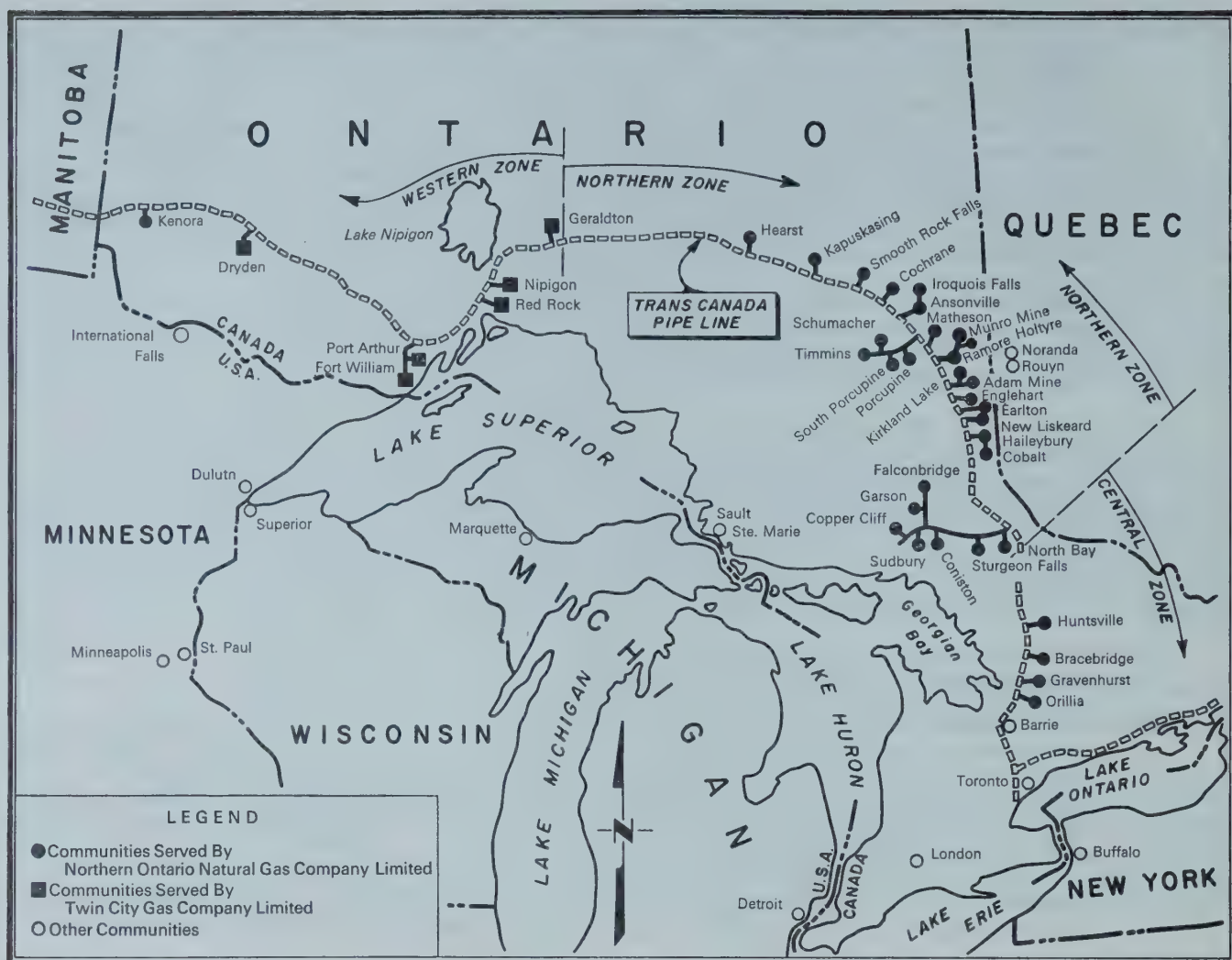
The following table sets out certain gas sales, and other statistics of Northern. Revenues, sales and customers are stated in accordance with present classifications.

	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>
REVENUE					
Residential.....	\$ 2,401,300	\$ 3,912,064	\$ 5,372,147	\$ 6,655,446	\$ 7,755,235
Commercial.....	1,555,016	2,125,025	2,660,080	3,176,036	3,592,162
Industrial.....	9,230,931	9,745,787	10,678,299	11,471,688	12,615,465
TOTAL.....	<u>\$13,187,247</u>	<u>\$15,782,876</u>	<u>\$18,710,526</u>	<u>\$21,303,170</u>	<u>\$23,962,862</u>
SALES (thousands of cubic feet)					
Residential.....	1,927,178	3,101,622	4,225,021	5,261,790	6,031,029
Commercial.....	1,836,564	2,589,406	3,344,885	4,004,298	4,728,448
Industrial.....	23,381,999	24,271,116	26,761,694	28,091,841	30,692,112
TOTAL.....	<u>27,145,741</u>	<u>29,962,144</u>	<u>34,331,600</u>	<u>37,357,929</u>	<u>41,451,589</u>
CUSTOMERS AT YEAR END					
Residential.....	19,810	29,539	39,052	44,651	48,607
Commercial.....	2,277	2,755	3,277	3,860	4,221
Industrial.....	88	92	96	110	106
TOTAL.....	<u>22,175</u>	<u>32,386</u>	<u>42,425</u>	<u>48,621</u>	<u>52,934</u>

### Communities Served

As indicated by the accompanying map, the area served by the system is divided into three rate zones, namely, Western, Northern and Central Rate Zones, which correspond to the territorial rate zones established under the Company's gas supply contracts with Trans-Canada. Within these zones, Northern and Twin City hold distribution franchises from 56 municipalities and Certificates of Public Convenience and Necessity from the Ontario Energy Board authorizing the Company to distribute natural gas in all of these municipalities and in 8 unorganized townships.





The above map shows the main centres of population included in the area in which Northern and Twin City are distributing gas. Information concerning the location, population and principal industrial and commercial activities in the more important communities served by Northern and Twin City is as follows:

#### WESTERN RATE ZONE:

Kenora is the site of a plant of Ontario-Minnesota Pulp and Paper Company Limited, a divisional headquarters of the Canadian Pacific Railway Company and the centre of the Lake of the Woods recreational area. The total population of Kenora is about 11,000. Natural gas service in Kenora is provided by Northern.

Dryden has a population of about 6,300 and its principal companies are Dryden Paper Company Limited, St. Regis Paper Company (Canada) Limited and Drycraft Products and Contracting Limited. Dryden is located on the main transcontinental line of the Canadian Pacific Railway and on the Trans-Canada highway.

The twin cities of Fort William and Port Arthur, which have a combined population of approximately 92,000, form one of the largest pulp and paper centres in the world and constitute a major trans-shipment point for many bulk products moving between Eastern and Western Canada. Pulp and paper mills located in the twin city area are the mills of The Great Lakes Paper Company, Limited, two mills of Abitibi Power & Paper Company, Limited and the mill of its subsidiary, Provincial Paper, Limited. The twin city area is the principal Canadian grain shipment centre, having grain elevators with a total storage capacity of approximately 107,000,000 bushels and dock facilities capable of handling the largest lake vessels, and is the western Canadian terminus of the St. Lawrence Seaway. It is also the point at which all iron ore from the Steep Rock mining area is trans-shipped.

Other important companies in the twin cities include Canada Car & Foundry Company Limited, Northern Engineering and Supply Company Limited, Port Arthur Shipbuilding Company Limited, Northern Wood Preservers Limited, Canada Malting Co., Limited and Dow Chemical of Canada, Limited.

The communities of Red Rock, Nipigon and Geraldton, which have a combined population of approximately 8,300, are in the centre of a large pulpwood and mining area. Principal companies in the area are Dominion Tar & Chemical Company, Limited at Red Rock and Northern Plywoods Limited at Nipigon. The area is served by the Trans-Canada highway, the Canadian Pacific Railway and the Canadian National Railway.

The communities of Dryden, Red Rock, Nipigon and Geraldton and the twin cities of Fort William and Port Arthur are served by Twin City Gas Company Limited.

#### NORTHERN RATE ZONE:

Hearst, Kapuskasing, Smooth Rock Falls, Cochrane, Iroquois Falls and Ansonville have a combined population of about 28,000. Pulp and paper mills located in the area are the mill of Spruce Falls Power and Paper Company, Limited at Kapuskasing, a bleached sulphite pulp mill of Abitibi Power & Paper Company, Limited at Smooth Rock Falls and a newsprint mill of Abitibi Power & Paper Company, Limited at Iroquois Falls. Cochrane is a service centre for this area and is a junction point of the Canadian National Railway and the Ontario Northland Railway.

Timmins and the neighbouring communities of Schumacher, Porcupine and South Porcupine are the centre of the Porcupine mining area. The four communities have an aggregate population of 42,000 and serve an extensive mining and lumbering area.

Matheson, Holtbyre, Ramore and Kirkland Lake have a combined population of approximately 19,000. Kirkland Lake is the centre of the Kirkland Lake gold mining area. In this area are Wright-Hargreaves Mines,



Limited, Lake Shore Mines, Limited and The Jamar Plywood Company Limited. Jones & Laughlin Steel Corporation has an iron ore processing plant near Kirkland Lake with an annual processing capacity of 1,000,000 tons of pellets.

Englehart, Earleton, New Liskeard, Haileybury and Cobalt have a combined population of approximately 13,000 and serve a mining, lumbering and agricultural area. At New Liskeard are located a chip board plant and the foundry of Wabi Iron Works Limited.

North Bay, the gateway to northern Ontario, is an important distribution point and light manufacturing centre and, together with adjacent communities, has a population of about 42,000. North Bay is an important railroad centre on the Canadian National, the Canadian Pacific and the Ontario Northland railways and a junction point of the Trans-Canada highway and two provincial highways. Two important companies in the area are Canadian Johns-Manville Co. Limited and Du Pont of Canada Limited.

Sturgeon Falls has a population of approximately 6,700. Its principal industry is the corrugated board mill and hardboard mill of Abitibi Power & Paper Company, Limited.

Sudbury is the trading centre for the Sudbury mining area which has an aggregate population of approximately 100,000. This area produces a major part of the world's nickel, as well as substantial quantities of copper and precious metals. The largest producers are The International Nickel Company of Canada, Limited and Falconbridge Nickel Mines Limited.

#### CENTRAL RATE ZONE:

Huntsville, Bracebridge, Gravenhurst and Orillia and their environs have a combined population of approximately 39,000. Orillia, the largest of these communities, is an important centre for the manufacture of heavy mining equipment, marine engines, farm machinery, steel castings and other products.

Communities in the Northern and Central Rate Zones are served by Northern.

### Franchises

Each franchise for which Northern holds a Certificate of Public Convenience and Necessity is for a minimum period of 20 years from its date of commencement. The franchises for Sudbury and Sturgeon Falls provide that the municipality may require Northern to sell the distribution system to it upon the expiration of each ten-year period from the "performance date" or within the period of six months prior to and twelve months after the termination date of the franchise. In other cases, the manner of disposal of the distribution system after termination of the franchises varies, but the majority of such franchises provide that within 12 months after the expiration of the franchise or a renewal thereof Northern may remove its distribution system or that the municipality may require Northern to sell such system, or such portion or portions as have not been removed, to it or to a person, firm or corporation designated by the municipality.

Each franchise for which Twin City holds a Certificate of Public Convenience and Necessity is for a minimum period of 20 years from its date of commencement. All such franchises, with the exception of the franchises for Nipigon and Red Rock, provide that the municipality may require Twin City to sell the distribution system to it upon the expiration of each ten-year period from the "performance date" or during the period of six months prior to the termination date of the respective franchise. In the case of the franchises held by Twin City for Nipigon and Red Rock, the municipality may require Twin City to sell the distribution system to it or to any other person after the termination of such franchise.

None of the franchises held by Northern or Twin City is exclusive.

### Regulation

The Energy Act, 1964 and The Ontario Energy Board Act, 1964 provide for the regulation by the Minister of Energy and Resources Management and the Ontario Energy Board of the transmission, distribution, production and storage of gas in Ontario.

### Rates

The rates charged by Northern and Twin City to industrial, commercial and residential consumers have been fixed by Orders of the Ontario Energy Board.

### Natural Gas Supply

Northern purchases all natural gas supplies for its system under contracts with Trans-Canada Pipe Lines Limited which operates a natural gas pipe line across the Provinces of Saskatchewan, Manitoba and Ontario and through a portion of the Province of Quebec to Montreal. The terms of the contracts under which Northern purchases substantially all of its gas extend to November 1, 1978. Under such contracts Northern is entitled to purchase from Trans-Canada firm quantities of gas in the aggregate amount of 136,300 MCF of gas per day (MCF means 1,000 cubic feet). The rates to Northern for gas purchased from Trans-Canada are based primarily on a 90% load factor (which in effect means that Northern must pay for 90% of the gas which it is entitled to purchase under such contracts whether or not it takes delivery of such gas).

### Market Promotion

The greatest single factor in the rapid capture of the residential heating market has been the development of the "Community Gas Heating Service Plan" whereby Northern and Twin City provide conversion burners, space heaters, floor furnaces or wall furnaces at no initial capital outlay to the customer. The costs of such installations are paid for by the customer over a long period and are sufficiently low that such charges plus the cost of gas make it advantageous for home-owners to use gas in preference to other fuels.

Northern and Twin City actively support a "Blue Flame Dealer" organization of nearly 350 plumbing and heating contractors and appliance dealers. Northern maintains a training program for dealer personnel and provides further assistance through joint advertising and promotional programs.

Another effective aid to sales is the purchase of conditional sales contracts from dealers on terms favourable to both dealers and purchasers of gas appliances and equipment. This activity is carried on by a wholly-owned subsidiary, Northern Ontario Acceptance Company Limited, which maintains its headquarters in North Bay. At December 31, 1964 this company owned 2,229 contracts totalling \$766,953, net of finance charges, and was indebted to its bankers in the amount of \$600,000.



## 1965 Additions and Extensions to the System

During 1965, Northern proposes to expend approximately \$5,000,000 for additions to the system. These additions will include distribution systems for three municipalities, Lively, Creighton and Long Lac, not now being served by Northern; 3,000 new service connections; extensions to existing distribution systems; and approximately 20 miles of transmission lines, consisting of a loop line to increase capacity for gas delivery to Fort William and Port Arthur and lines to serve the three municipalities mentioned above. Northern also proposes to install extensions in North Bay and Orillia to serve the large provincial hospitals located in or near these municipalities.

On May 20, 1965, the National Energy Board granted Champion Pipe Line Corporation Limited, ("Champion"), a wholly-owned subsidiary of Northern, a certificate of Public Convenience and Necessity authorizing Champion to construct a 60 mile transmission line from a point on the main transmission line of Trans-Canada near Earlton, Ontario, to the cities of Rouyn and Noranda in Quebec. These two cities, having a combined population of approximately 30,000, will be serviced by Le Gaz Provincial du Nord de Québec Ltée ("Le Gaz"), another wholly-owned subsidiary of Northern. It is expected that the construction of the transmission line and the Le Gaz distribution systems in Rouyn and Noranda will commence during 1965. Northern will provide the two subsidiaries with the \$3,500,000 required for such construction.

### Directors of Northern

EDWARD RYCKMAN ALEXANDER.....	Executive.....	716 Upper Roslyn Avenue, Westmont, Montreal 6, Quebec.
EDMUND CHARLES BOVEY.....	Executive.....	33 York Ridge Road, Willowdale, Ontario.
JOHN DOUGLAS BRYCE .....	Executive.....	87 Lytton Boulevard, Toronto, 12, Ontario.
CHARLES SPENCER CLARK.....	Executive.....	Spring Drive, The Highlands, Seattle 77, Washington, U.S.A.
ROBERT BRUCE CRADDOCK.....	Executive.....	1445 Glenwood Drive, Port Credit, Ontario.
MATTHEW CLIFFORD DEANS.....	Investment Dealer.....	North Drive, R.R. No. 1, Islington, Ontario.
VICTOR THEODORE LOW.....	Investment Banker.....	Hickory Kingdom Road, Bedford Village, New York, U.S.A.
DONALD MCKELVIE.....	Executive.....	91 Niven Street, New Liskeard, Ontario.
HAROLD CHARLES FEATHERSTON MOCKRIDGE.....	Queen's Counsel.....	492 Russell Hill Road, Toronto, Ontario.
BLANCHE NOYES.....	Investment Banker.....	373 Brookside Drive, Darien, Connecticut, U.S.A.
JOSEPH SEDGWICK.....	Queen's Counsel.....	158 Forest Hill Road, Toronto 7, Ontario.

### Officers of Northern

CHARLES SPENCER CLARK.....	Chairman of the Board.....	Spring Drive, The Highlands, Seattle 77, Washington, U.S.A.
EDMUND CHARLES BOVEY.....	President.....	33 York Ridge Road, Willowdale, Ontario.
ROBERT BRUCE CRADDOCK.....	Executive Vice-President.....	1445 Glenwood Drive, Port Credit, Ontario.
ADOLPH MAGNUS HOVE.....	Vice-President.....	45 Blair-Athol Crescent, Islington, Ontario.
ROLFE REYNOLDS COLPITTS.....	Vice-President.....	62 Larabee Crescent, Don Mills, Ontario.
FREDERICK IRVING YEWMAN.....	Vice-President.....	142 Allanhurst Drive, Islington, Ontario.
WILLIAM RALPH HOWARD.....	Secretary.....	66 Mooreshead Drive, Etobicoke, Ontario.
HAROLD EDWIN ANDREWS.....	Treasurer.....	39 Laurentide Drive, Don Mills, Ontario.

**NORTHERN ONTARIO NATURAL GAS COMPANY LIMITED  
AND SUBSIDIARY COMPANIES**

(Incorporated under The Corporations Act of Ontario)

**Consolidated Balance Sheet as at December 31, 1964**

**ASSETS**

**UTILITY PLANT**

Lands, structures, gas distribution systems, equipment, preliminary development and franchise acquisition costs, etc. at cost.....	\$ 52,119,219
Less—Accumulated depreciation.....	2,858,577
	49,260,642
Premium incurred on the acquisition of a subsidiary company (Note 1).....	1,844,183
	<u>51,104,825</u>

**CURRENT ASSETS**

Cash.....	235,930
Accounts receivable (including \$766,953 on merchandise finance plan) less allowance for doubtful accounts.....	3,151,041
Unbilled gas sales.....	1,181,475
Materials and supplies, at cost.....	384,598
Prepayments, advances and deposits.....	115,528
	<u>5,068,572</u>

**DEFERRED CHARGES**

Unamortized debt discount and expense.....	1,757,331
Unamortized capital stock expense.....	192,604
Other.....	216,373
	<u>2,166,308</u>
	<u>\$ 58,339,705</u>

**SHAREHOLDERS' EQUITY**

**LIABILITIES**

Capital stock (Note 3)	
Authorized—	
90,013 First Preference Shares with a par value of \$50.00 each, issuable in series	
2,033,290 Common Shares without par value	
Issued—	
30,013 6% Cumulative Redeemable Convertible First Preference Shares, Series A, redeemable at \$52.50 per share.....	\$ 1,500,650
1,548,941 Common Shares.....	10,232,745
Contributions in aid of construction.....	209,369
Retained earnings (Note 4).....	4,926,610
	<u>16,869,374</u>

**LONG-TERM DEBT**

Funded debt (Note 5).....	33,687,000
Mortgages (Note 6).....	254,000
Bank loans due 1966.....	2,750,000
	<u>36,691,000</u>

MINORITY INTEREST IN SUBSIDIARY COMPANY.....	<u>77,687</u>
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**CURRENT LIABILITIES**

Secured bank loan.....	660,000
Accounts payable and accrued charges.....	2,380,847
Accrued interest on funded debt.....	235,737
Dividend on preference shares.....	25,960
Income and other taxes.....	9,100
Current maturity on funded debt.....	1,390,000
	<u>4,701,644</u>
	<u>\$ 58,339,705</u>

The accompanying notes are an integral part of this balance sheet.

Approved on behalf of the Board:

(Signed) E. C. BOVEY, Director.

(Signed) R. B. CRADDOCK, Director.



**NORTHERN ONTARIO NATURAL GAS COMPANY LIMITED  
AND SUBSIDIARY COMPANIES**

**Consolidated Statement of Income for the Five Years Ended December 31, 1964**

	1960	1961	1962	1963	1964
<b>OPERATING REVENUE</b>					
Gas sales.....	\$13,187,247	\$15,782,876	\$18,710,526	\$21,303,170	\$23,962,862
Other.....	7,405	54,407	129,937	306,323	450,645
	<u>13,194,652</u>	<u>15,837,283</u>	<u>18,840,463</u>	<u>21,609,493</u>	<u>24,413,507</u>
<b>OPERATING EXPENSES</b>					
Operation and maintenance (Note 7)	10,502,261	12,499,141	14,630,606	16,547,963	18,680,719
Depreciation (Note 8).....	360,735	429,655	713,094	946,124	1,090,708
Taxes, other than income taxes....	216,008	230,555	258,642	277,590	340,851
Provision for income taxes (Note 9).	8,500	8,200	8,050	8,050	8,978
	<u>11,087,504</u>	<u>13,167,551</u>	<u>15,610,392</u>	<u>17,779,727</u>	<u>20,121,256</u>
OPERATING INCOME.....	2,107,148	2,669,732	3,230,071	3,829,766	4,292,251
OTHER INCOME (including interest from merchandise finance plan).....	170,138	221,097	177,784	113,662	96,768
TOTAL OPERATING AND OTHER INCOME.....	<u>2,277,286</u>	<u>2,890,829</u>	<u>3,407,855</u>	<u>3,943,428</u>	<u>4,389,019</u>
<b>INTEREST AND OTHER DEDUCTIONS</b>					
Interest, less amounts capitalized (Note 10).....	1,375,403	1,535,727	1,722,816	2,085,843	2,162,611
Amortization of debt and capital stock expenses.....	38,155	68,999	99,321	127,756	135,128
Provision for minority interest.....	26,008	42,939	19,284	15,398	15,709
Loss on U.S. exchange—net.....	—	—	89,761	150,716	49,419
Other.....	—	—	—	2,627	2,975
	<u>1,439,566</u>	<u>1,647,665</u>	<u>1,931,182</u>	<u>2,382,340</u>	<u>2,365,842</u>
NET INCOME.....	<u>\$ 837,720</u>	<u>\$ 1,243,164</u>	<u>\$ 1,476,673</u>	<u>\$ 1,561,088</u>	<u>\$ 2,023,177</u>

**NORTHERN ONTARIO NATURAL GAS COMPANY LIMITED  
AND SUBSIDIARY COMPANIES**

**Consolidated Statement of Retained Earnings for the Year Ended December 31, 1964**

BALANCE AS AT DECEMBER 31, 1963.....	\$3,839,087
Add—	
Net income for the year.....	2,023,177
	<u>5,862,264</u>
Deduct—	
Dividends on First Preference Shares.....	\$113,557
Dividends on Common Shares.....	822,097
	<u>935,654</u>
BALANCE AS AT DECEMBER 31, 1964 (Note 4).....	<u>\$4,926,610</u>

**NORTHERN ONTARIO NATURAL GAS COMPANY LIMITED  
AND SUBSIDIARY COMPANIES**

**Notes to Consolidated Financial Statements  
December 31, 1964**

**1. PREMIUM INCURRED ON THE ACQUISITION OF A SUBSIDIARY COMPANY**

The premium arising from the Company's investment in Twin City Gas Company Limited resulted substantially from the fact that the Company valued the shares issued, in various share exchange offers for the shares of the subsidiary, at the prevailing market price. In the opinion of management, this premium of \$1,844,183 is properly attributable to utility plant. It is the intention of management to amortize this amount commencing in the year 1965, at the effective rate used to depreciate the balance of utility plant.

**2. INVESTMENT IN ASSOCIATED COMPANY**

Subsequent to December 31, 1964, the Company acquired 693,426 common shares (47% of the issued common shares at the date of acquisition) of Lakeland Natural Gas Limited ("Lakeland") at an approximate aggregate cost of \$6,273,135. The Company has agreed with the vendors of such shares to make an offer prior to June 30, 1965 to acquire the shares of Lakeland not then owned by the Company. The Company's offer to acquire such common shares of Lakeland will be at \$8.65 per share or, at the option of the Company, the holders of such common shares of Lakeland may be offered the choice of (i) \$8.65 per share in cash or (ii) shares of the Company or (iii) part cash and part shares of the Company.

**3. CAPITAL STOCK AUTHORIZED, ISSUED AND OPTIONED**

The Board of Directors of the Company has passed resolutions authorizing applications to the Lieutenant-Governor of the Province of Ontario for the issue of supplementary letters patent increasing the authorized capital of the Company as follows:

- (a) additional 1,000,000 Common Shares without par value
- (b) additional 240,000 First Preference Shares with a par value of \$50.00 each, issuable in series
- (c) creation of 400,000 Second Preference Shares with a par value of \$25.00 each, issuable in series

The 6% Cumulative Redeemable Convertible First Preference Shares, Series A outstanding at December 31, 1964 are convertible into fully paid Common Shares on the following basis:

- 3½ Common Shares for each 6% Cumulative Redeemable Convertible First Preference Share, Series A up to and including April 1, 1965, and thereafter
- 2½ Common Shares for each 6% Cumulative Redeemable Convertible First Preference Share, Series A up to and including April 1, 1969.

The conversion of each such share reduces the number of authorized and issued 6% Cumulative Redeemable Convertible First Preference Shares, Series A and increases the number of authorized and issued Common Shares, in accordance with the terms of the conversion. Under date of March 5, 1965, the Company gave notice of its intention to redeem, on May 14, 1965, all of the outstanding 6% Cumulative Redeemable Convertible First Preference Shares, Series A at the redemption price of \$52.50 per share plus accrued dividends to the date of redemption.

The Company issued 141,390 Common Shares during the year ended December 31, 1964 for a total consideration of \$2,370,525 summarized as follows:

108,100 shares for a cash consideration of \$1,871,175 (51,000 shares at \$18.50; 40,000 shares at \$15.00 U.S., pursuant to the conversion of warrants attached to the 6% Notes payable; and 17,100 shares at various prices under the Company's Incentive Stock Option Plan).

33,290 shares for a consideration of \$499,350 resulting from the conversion of 9,987 of the 6% Cumulative Redeemable Convertible First Preference Shares, Series A.

Options exercised and outstanding under the Company's Incentive Stock Option Plan are summarized as follows:

Shares		Price per Share	Options Exercised		Expiry Date
Under Option at			in 1964		
1963	1964		Shares Issued	Proceeds	
1,600	—	\$13.00	1,600	\$ 20,800	March 9, 1967
10,000	—	14.875	10,000	148,750	
1,000	—	15.625	1,000	15,625	
7,500	3,000	21.125	4,500	95,063	
20,100	3,000		17,100	\$280,238	

Options outstanding as at December 31, 1964 with respect to 400 Common Shares of the Company were exercised during January, 1965.

In addition to the foregoing, 10,000 unissued Common Shares are reserved under an option granted during the year by the Board of Directors to an institutional investor. This option is exercisable up to and including February 21, 1969 at a price of \$18.50 per share.

4. DIVIDEND RESTRICTIONS

In accordance with the terms of the indenture securing the First Mortgage and Collateral Trust Bonds, \$3,777,836 of retained earnings is not available for the payment of dividends.

5. FUNDED DEBT

Funded debt consists of the following:

	Year of Maturity	Sinking Fund Instalment due 1965	Balance as at December 31, 1964
First Mortgage and Collateral Trust Bonds			
6% Series.....	1978	\$316,000	\$ 5,636,000
5½% Series, payable in U.S. Funds.....	1978	234,000	4,166,000
5¾% Series.....	1982	225,000	4,775,000
5¾% Series.....	1983	225,000	6,000,000
6% Notes, payable in U.S. Funds.....	1975	140,000	2,000,000
Subordinated Debentures			
5¾% Subordinated Debentures .....	1982	150,000	7,700,000
6% Subordinated Sinking Fund Debentures.....	1985	100,000	4,800,000
			35,077,000
Less—			
Payments due within one year included in current liabilities.....			1,390,000
			\$33,687,000

Liabilities in United States dollars are stated at par of exchange.

6. MORTGAGES

The 6¾% and 7% mortgages of a subsidiary company, due in 1984, are repayable in monthly instalments of \$1,935, including principal and interest.

7. CAPITALIZATION OF OVERHEAD

For the year ended December 31, 1964, the companies changed their basis of capitalizing overhead incurred, with respect to new construction. The formula adopted, which has acceptance in the industry, provides for the capitalization of a portion of administrative overhead only. The effect of this change on the consolidated income for 1964 was immaterial.

8. DEPRECIATION

Commencing with the year 1961, the companies changed their basis of providing depreciation on the utility plant from a composite rate to an individual rate by class of asset. This latter basis, which is in accordance with good accounting principles, resulted in depreciation for the year 1961 being \$264,560 less than would have been provided on the composite rate basis.

9. INCOME TAXES

As a result of the companies' policy of (1) capitalizing or deferring certain expenses that must be claimed for income tax purposes in the year incurred and (2) claiming capital cost allowances for income tax purposes at rates differing from those used to record depreciation in the accounts, the accumulated provisions for income taxes were approximately \$3,944,000 less than would have otherwise been provided and the amounts applicable to the five years ended December 31, 1964 are as follows:

1960.....	\$ 486,900
1961.....	665,700
1962.....	754,400
1963.....	840,000
1964.....	1,093,000

For income tax purposes, the undepreciated capital cost of utility plant, excluding non-depreciables of \$3,500,000, approximates \$40,300,000 at December 31, 1964. Included in deferred charges are amounts approximating \$808,000 that have been claimed for income tax purposes.

10. INTEREST CAPITALIZED

It is the companies' policy to capitalize interest only on direct expenditures pertaining to major main extensions. The amounts so capitalized were as follows:

1960.....	\$ —
1961.....	—
1962.....	62,023
1963.....	18,524
1964.....	7,845

11. CAPITAL EXPENDITURES

It is estimated that the companies will expend approximately \$8,500,000 on capital assets during the year ending December 31, 1965.

AUDITORS' REPORT

To the Directors,  
NORTHERN ONTARIO NATURAL GAS COMPANY LIMITED.

We have examined the consolidated balance sheet of Northern Ontario Natural Gas Company Limited and subsidiary companies as at December 31, 1964, the consolidated statement of retained earnings for the year then ended, and the consolidated statement of income for the five years ended December 31, 1964. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances, except for Twin City Gas Company Limited whose accounts have been examined and reported upon by other chartered accountants.

In our opinion, based on our examination and the audited statements of the subsidiary reported upon by other chartered accountants, the accompanying consolidated balance sheet and consolidated statements of retained earnings and income, together with the notes thereto, present fairly the financial position of Northern Ontario Natural Gas Company Limited and subsidiary companies as at December 31, 1964, the changes in retained earnings for the year then ended and the results of their operations for the five years ended December 31, 1964, all in accordance with generally accepted accounting principles applied on a consistent basis.

Toronto, Ontario,  
March 12, 1965.

(Signed) RIDDELL, STEAD, GRAHAM & HUTCHISON  
Chartered Accountants.



**NORTHERN ONTARIO NATURAL GAS COMPANY LIMITED  
AND SUBSIDIARY COMPANIES**

**Consolidated Statement of Income  
for the Three Months Ended March 31, 1965**  
(With comparative figures for the three months ended March 31, 1964)

(unaudited)	<u>1965</u>	<u>1964</u>
OPERATING REVENUE.....	\$8,137,383	\$7,470,989
OPERATING EXPENSES		
Operations and maintenance.....	5,386,689	5,098,457
Depreciation.....	298,578	262,698
Taxes, other than income taxes.....	90,000	78,600
Total Operating Expenses.....	<u>5,775,267</u>	<u>5,439,755</u>
Operating Income.....	2,362,116	2,031,234
OTHER INCOME.....	58,987	42,828
Total Operating and Other Income.....	<u>2,421,103</u>	<u>2,074,062</u>
INTEREST AND OTHER DEDUCTIONS		
Interest.....	548,701	540,817
Amortization of debt and capital stock expense.....	35,148	34,692
Miscellaneous income deductions.....	926	570
Provision for minority interest.....	15,106	11,149
Total Interest and Other Deductions.....	<u>599,881</u>	<u>587,228</u>
Net Income.....	<u><u>\$1,821,222</u></u>	<u><u>\$1,486,834</u></u>

NOTE: All figures reported in the above three month statement of income are subject to such adjustments as the annual audit by independent accountants may disclose to be necessary.

## INFORMATION REGARDING LAKELAND

The following information regarding Lakeland Natural Gas Limited has been provided by officers of that company.

### General

Lakeland was incorporated under the laws of the Province of Ontario in 1954 and was formed for the purpose of constructing and operating natural gas distribution facilities in municipalities located in eastern Ontario. The area presently served extends for 200 miles along the northern shores of Lake Ontario and the St. Lawrence River, from Port Hope, 65 miles east of Toronto, to Cornwall, 80 miles west of Montreal, and has a total population of approximately 160,000. Communities served by Lakeland in this area include the cities of Belleville and Cornwall, the towns of Cobourg, Gananoque, Napanee, Port Hope, Prescott and Trenton, the villages of Cardinal, Chesterville, Morrisburg and Winchester. In addition Lakeland serves customers in areas surrounding these centres.

Lakeland now owns and operates approximately 142 miles of transmission lines which connect at 17 points with the main transmission line of Trans-Canada Pipe Lines Limited and 190 miles of distribution lines and appurtenant facilities to serve approximately 10,800 industrial, commercial and residential gas consumers. A map showing the location of Lakeland's transmission and distribution lines and the communities served is included in this circular.

Lakeland estimates that it supplies approximately 28% of the aggregate fuel requirements of industrial users located in its present service area and approximately 40% of the potential commercial market in its service area, such as shopping centres, stores, office buildings, restaurants, laundries and dry cleaning establishments and approximately 30% of the potential residential market.

### Capitalization

The capitalization of Lakeland as at May 15, 1965 was as follows:

FUNDED DEBT	<u>Authorized</u>	<u>Outstanding</u>
6% Subordinated Debentures due July 15, 1982 . . . . .	\$ 6,682,200	\$ 6,682,200
<b>SHARE CAPITAL</b>		
Preference Shares with a par value of \$20 each, issuable in series . . . . .	150,000 shs.	
5.4% Cumulative Redeemable Preference Shares Series A . . . . .		112,500 shs.
Common Shares with a par value of \$1 each . . . . .	2,000,000 shs. (1)	1,484,186 shs.

NOTE: (1) 3,890 common shares are reserved for issuance against the exercise of share purchase options or rights granted to certain officers and employees and 275,580 common shares are reserved for issuance against the exercise of outstanding share purchase warrants.

### Revenue, Sales and Customers

The following table sets out certain gas sales and other statistics of Lakeland. Revenues, sales and customers are stated in accordance with present classifications.

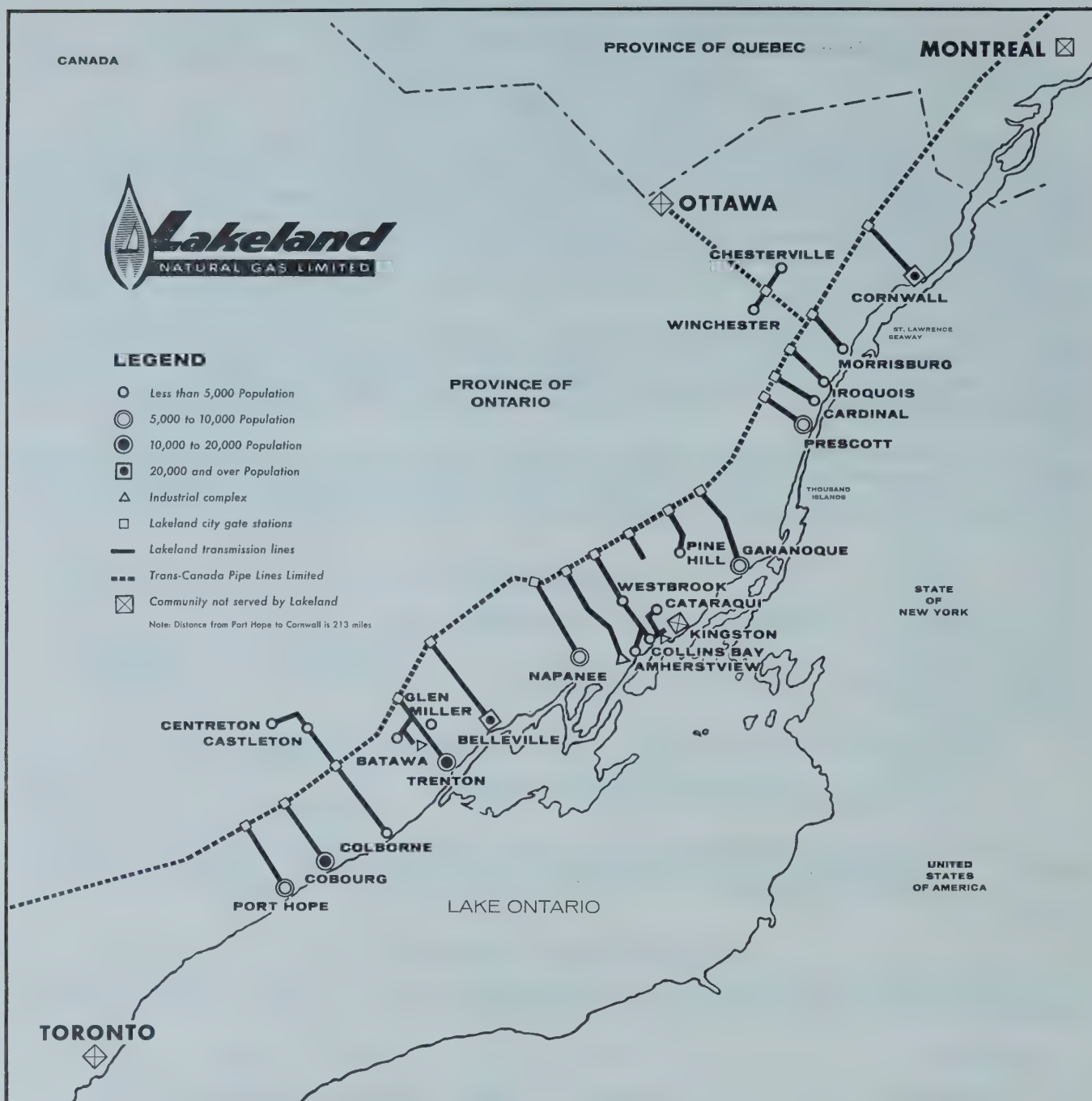
REVENUE	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>
Residential . . . . .	\$ 551,401	\$ 742,226	\$1,037,654	\$1,304,783	\$1,623,227
Commercial . . . . .	203,645	280,344	385,193	468,593	536,079
Industrial . . . . .	764,322	1,246,793	1,888,669	2,265,701	2,760,476
<b>TOTAL . . . . .</b>	<u>\$1,519,368</u>	<u>\$2,269,363</u>	<u>\$3,311,516</u>	<u>\$4,039,077</u>	<u>\$4,919,782</u>
<b>SALES (thousands of cubic feet)</b>					
Residential . . . . .	434,021	579,479	785,286	961,800	1,185,255
Commercial . . . . .	173,942	238,760	313,173	367,949	424,302
Industrial . . . . .	1,740,030	2,732,762	4,037,557	4,552,740	5,458,509
<b>TOTAL . . . . .</b>	<u>2,347,993</u>	<u>3,551,001</u>	<u>5,136,016</u>	<u>5,882,489</u>	<u>7,068,066</u>
<b>CUSTOMERS AT YEAR END</b>					
Residential . . . . .	3,811	5,108	6,330	8,225	9,572
Commercial . . . . .	478	648	767	869	935
Industrial . . . . .	43	55	60	64	70
<b>TOTAL . . . . .</b>	<u>4,332</u>	<u>5,811</u>	<u>7,157</u>	<u>9,158</u>	<u>10,577</u>

### Communities Served

Most of the areas served by Lakeland are highly industrialized and include well known companies engaged in the production of chemicals, paper and pulp board, synthetic fibres, refined uranium, consumer goods, foodstuffs and machinery.

The area has an excellent geographic location between Toronto and Montreal, and is served by modern highways and Canada's busiest railroad tracks. The principal communities served have frontage on Lake Ontario or the St. Lawrence River, making available to industry unlimited quantities of water for process purposes and the advantage of low cost transportation via the St. Lawrence Seaway.





The above map shows the main centres of population included in the area in which Lakeland is distributing gas. Information concerning the location, population and principle industry and commercial activities in the more important communities served by Lakeland is as follows:

Port Hope has a population of approximately 8,300. Lakeland serves a plant of Crane Canada Limited, Eldorado Mining and Refining Limited and Nicholson File Company Limited.

Cobourg has a population of approximately 11,000. Lakeland's principal customers are General Foods, Limited and General Wire and Cable Company Limited.

Trenton is a highly industrialized community of approximately 14,000 with plants of Delft Gelatin Canada Limited, Dominion Tar & Chemical Company, Limited, Outboard Marine Corporation (Canada) Ltd., Pyrotenax of Canada Limited, Trenton Dyeing & Finishing Company Limited which are served by Lakeland. Just north of Trenton are plants of Bata Shoe Company of Canada Limited and Miller Bros. Company (1962) Limited which are also served by Lakeland.

Belleville has a population of approximately 32,000. Principal industries served by Lakeland include American Optical Company Canada Limited, Northern Electric Company Limited, Stephens-Adamson Manufacturing Company Limited, Union Carbide Canada Limited, Bakelite Division and Wilson Concrete Products Limited.

Napanee is a trading centre with a population of approximately 4,400. Industries located in the town and served by Lakeland include Nabisco Foods Limited, Napanee Industries Limited and Pet Milk Company Canada Limited.

Ernestown, Kingston and Pittsburg Townships have a combined population of 21,400 and surround the city of Kingston. The growth in these townships is outstripping growth in the city proper. The principal industries served include plants of Canadian Industries Limited and Du Pont of Canada Limited.

Gananoque, located near the Thousand Islands, is famed as a resort area, and has a large number of hotels, motels and restaurants. Gananoque's population is approximately 5,200. Principal industries served are Ontario Steel Products Company Limited and Steel Company of Canada Limited.

Prescott, with a population of approximately 5,200, is a Seaway trans-shipping point and is the location of plants of R.C.A. Victor Company Limited and Superior Silk Mills Limited which are served by Lakeland.

Cardinal, with a population of approximately 1,900, is the site of the production plant of The Canada Starch Company Limited which is served by Lakeland.

Iroquois, Morrisburg, Winchester and Chesterville are small trading centres, each with a population of less than 2,000. Located at Winchester a large milk processor and at Chesterville a plant of Nestle (Canada) Limited, both served by Lakeland.

Cornwall is an important business distribution and industrial centre with a population of approximately 45,600. The principal industries served are Courtaulds (Canada) Limited and Morbern Industries Limited.

**Franchises**

Lakeland holds franchises granted by the cities, towns and townships in which it distributes natural gas and the required Certificates of Public Convenience and Necessity. Franchise agreements held by Lakeland are substantially similar in form and have primary terms which extend to the years 1977 to 1980.

In general, the franchise agreements entered into by Lakeland contain provisions that Lakeland may, at any time prior to the expiration of the primary term of 20 years, apply for renewal and upon such application the grantor may either renew the franchise for a further period of 10 years or purchase the plant and distribution system of Lakeland.

None of the franchises held by Lakeland is exclusive.

**Regulation**

The Energy Act, 1964 and The Ontario Energy Board Act, 1964 provide for the regulation by the Minister of Energy and Resources Management and the Ontario Energy Board of the transmission, distribution, production and storage of gas in Ontario.

**Rates**

The rates charged by Lakeland to its customers are subject to the approval of the Ontario Energy Board.

**Natural Gas Supply**

Lakeland purchases its natural gas supply from Trans-Canada Pipe Lines Limited. The principal contract has a primary term of 20 years which commenced November 1, 1958. The contract continues after the primary term unless or until terminated by either party upon twelve months' prior written notice. Lakeland is presently entitled to purchase from Trans-Canada firm quantities of gas in the amount of 22,450 M.C.F. per day. In order to achieve the minimum available cost of purchased gas, Lakeland has elected to and does in fact purchase its supply on a 90% annual load factor basis.

**Market Promotion**

Lakeland carries on an aggressive sales promotion effort and assists local appliance dealers and heating contractors by furnishing sales and service training, by co-operative advertising and by the purchase of conditional sales contracts from dealers, thus enabling customers to finance the purchase of new appliances conveniently.

Lakeland also merchandises directly residential and commercial gas consuming appliances and rents conversion burners, water heaters and space heaters to customers.

Lakeland actively seeks customers both in the new construction market and in conversions from other fuels.

**1965 Additions and Extensions to the System**

During 1965 Lakeland anticipates spending approximately \$1,300,000 for capital additions. These additions will include extensions to existing distribution systems, additional service connections to serve new customers, and additions to and replacements of other appurtenant equipment and facilities.

**Directors of Lakeland**

EDMUND CHARLES BOVEY.....	Executive.....	33 York Ridge Road, Willowdale, Ontario
CHARLES SPENCER CLARK.....	Executive.....	Spring Drive, The Highlands, Seattle 77, Washington, U.S.A.
ROBERT BRUCE CRADDOCK.....	Executive.....	1445 Glenwood Drive, Port Credit, Ontario
MATTHEW CLIFFORD DEANS.....	Investment Dealer.....	North Drive, R.R. No. 1, Islington, Ontario
WILLIAM RALPH HOWARD.....	Executive.....	66 Mooreshead Drive, Etobicoke, Ontario
FREDERICK ARTHUR MEREDITH HUYCKE...	Queen's Counsel.....	39 Rosedale Heights Drive, Toronto, Ontario
CHARLES JAMES MCCARTHY.....	Executive.....	The Shieling, R.R. No. 7, Kingston, Ontario

**Officers of Lakeland**

ROBERT BRUCE CRADDOCK.....	President.....	1445 Glenwood Drive, Port Credit, Ontario
CHARLES JAMES MCCARTHY.....	Vice-President and General Manager	The Shieling, R.R. No. 7, Kingston, Ontario
ANDREW AUBREY IRWIN.....	Vice-President and Assistant Secretary	16 Jorene Drive, Kingston, Ontario
WILLIAM RALPH HOWARD.....	Secretary.....	66 Mooreshead Drive, Etobicoke, Ontario
HAROLD EDWIN ANDREWS.....	Treasurer.....	39 Laurentide Drive, Don Mills, Ontario



# LAKELAND NATURAL GAS LIMITED

(Incorporated under the laws of Ontario)

## Balance Sheet as at December 31, 1964

### ASSETS

#### FIXED ASSETS—at cost (Note 3)

Transmission and distribution mains.....	\$ 9,574,042
Service lines, meters, regulators and miscellaneous.....	2,756,232
Rented equipment on customers' premises.....	1,016,988
Land, land rights and buildings.....	331,452
Transportation, office and other equipment.....	226,108
	<u>13,904,822</u>
Less—Accumulated depreciation.....	734,729
Net Fixed Assets.....	<u>13,170,093</u>

#### CURRENT ASSETS

Cash.....	139,941
Accounts receivable.....	447,624
Inventory of materials—at cost.....	65,817
Inventory of appliances—at cost.....	81,615
Prepayments.....	63,147
Total Current Assets.....	<u>798,144</u>

#### OTHER ASSETS

Appliance instalments receivable (due 1 to 5 years).....	392,730
Mortgage instalments receivable (due 1 to 7 years).....	275,232
Total Other Assets.....	<u>667,962</u>

#### DEFERRED CHARGES

Unamortized debt discount and expenses.....	197,703
Financing expenses re: capital stock issues.....	189,739
Total Deferred Charges.....	<u>387,442</u>
	<u><u>\$15,023,641</u></u>

### LIABILITIES

#### SHAREHOLDERS' EQUITY

Capital Stock	
Preference shares, par value \$20 each (Note 4)	
Authorized: 150,000 shares issuable in series	
Issued: 112,500 5.4% cumulative redeemable shares, Series A.....	\$ 2,250,000
Common Shares, par value \$1 each (Note 6)	
Authorized: 2,000,000 shares	
Issued: 1,479,066.....	1,479,066
Premium on common shares.....	1,393,085
Surplus.....	850,913
Total Shareholders' Equity.....	<u>5,973,064</u>

#### LONG-TERM DEBT

6% Subordinated Debentures, maturing 1982 (Note 5).....	<u>6,682,200</u>
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#### DEFERRED CREDITS

Income from merchandise finance plan.....	59,394
Contributions towards construction.....	10,358
Total Deferred Credits.....	<u>69,752</u>

#### CURRENT LIABILITIES

Bank loan (Note 5).....	1,600,000
Accounts payable and accrued expenses.....	504,351
Interest accrued on subordinated debentures.....	183,760
Customers' refundable deposits.....	10,514
Total Current Liabilities.....	<u>2,298,625</u>
	<u><u>\$15,023,641</u></u>

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board:

(Signed) R. B. Craddock, Director,                      (Signed) C. J. McCarthy, Director.



# LAKELAND NATURAL GAS LIMITED

## Statement of Income for the Five Years Ended December 31, 1964

	1960	1961	1962	1963	1964
OPERATING REVENUE					
Natural gas sales.....	\$1,519,368	\$2,269,363	\$3,311,516	\$4,039,077	\$4,919,782
OPERATING EXPENSES AND TAXES					
Natural gas purchases.....	1,085,471	1,617,973	2,159,207	2,628,241	3,172,398
Operating and maintenance expenses....	445,296	429,996	408,131	447,034	557,572
Depreciation (Note 1).....	68,208	82,732	128,964	184,218	254,463
Taxes, other than income taxes (Note 2).....	70,249	73,563	77,380	84,544	83,664
Total operating expenses and taxes	1,669,224	2,204,264	2,773,682	3,344,037	4,068,097
OPERATING INCOME.....	( 149,856)	65,099	537,834	695,040	851,685
OTHER INCOME, NET.....	59,134	110,072	81,684	92,973	125,003
GROSS INCOME.....	( 90,722)	175,171	619,518	788,013	976,688
INCOME DEDUCTIONS					
Interest on subordinated debentures.....	400,932	400,932	400,932	400,932	400,932
Amortization of debt, discount and expense	12,725	12,311	12,311	11,791	11,271
Interest on bank loans.....	20,148	76,077	113,187	71,766	49,789
Interest charged to construction (credit).....	( 8,706)	( 9,541)	( 10,983)	( 5,896)	( 2,614)
Total income deductions.....	425,099	479,779	515,447	478,593	459,378
NET INCOME (Note 2).....	<u>(\$ 515,821)</u>	<u>(\$ 304,608)</u>	<u>\$ 104,071</u>	<u>\$ 309,420</u>	<u>\$ 517,310</u>

The accompanying notes are an integral part of the financial statements.

## Statement of Surplus for the Year Ended December 31, 1964

Deficit from operations for the period from	
October 1, 1959 (commencement of operations) to December 31, 1963.....	(\$ 551,858)
Dividends on preference shares to December 31, 1963.....	( 58,050)
Adjustments to gas plant (Note 3).....	1,065,011
Balance at January 1, 1964.....	\$455,103
Net income.....	517,310
	972,413
Dividends on preference shares.....	121,500
Balance at December 31, 1964.....	<u>\$850,913</u>

## Notes to Financial Statements as at December 31, 1964

### 1. DEPRECIATION

The Company follows the depreciation policy on gas plant of taking into account the fact that during the period of market build-up the gas plant is not being operated at full capacity. Accordingly the provisions for depreciation have been based on the estimated utilization of the gas plant. Depreciation on gas plant was provided approximately as follows:

1960.....	0.57%
1961.....	0.75%
1962.....	1.20%
1963.....	1.40%
1964.....	1.60%

### 2. INCOME TAXES

The application of prior year's losses eliminated income taxes during the years 1962 through 1964. In order to be in a position to defer income taxes in the future the Company has claimed for income tax purposes approximately \$1,700,000 of depreciation in excess of amounts charged to income.

### 3. FIXED ASSETS AND ACCUMULATED DEPRECIATION

During 1963 a review was undertaken of the amount of interest during construction included as part of the cost of those fixed asset accounts relating to gas plant. The construction period of the Company ended on September 30, 1959. The cost of gas plant up to that date included interest during construction which comprised not only the cost of borrowed money but also income, losses and profits on various security transactions and writedowns of book values of certain securities. Accordingly, revisions were made in 1963 which eliminated from gas plant the amount of interest during construction previously included therein. In place thereof, the fixed asset accounts were revised to reflect an appropriate cost of capital, including cost of equity capital, as determined by management. Such revisions resulted in a net increase of \$1,087,854 in fixed asset accounts relating to gas plant as at September 30, 1959. A further adjustment for the period from October 1, 1959 to December 31, 1962 resulted in an additional increase in fixed asset accounts relating to gas plant of \$5,463. In addition, accumulated depreciation for the period from October 1, 1959 to December 31, 1962 was increased by \$28,306. All of these adjustments are reflected in the surplus account.

### 4. PREFERENCE SHARES

The 5.4% Cumulative Redeemable Preference Shares, Series A are redeemable, as a whole or in part, at the option of the Company at any time on at least 30 days' notice, at \$20.90 per share through June 15, 1965; thereafter through June 15, 1966 at \$20.80 per share; and reducing to \$20.20 per share if redeemed after June 15, 1971.

### 5. 6% SUBORDINATED DEBENTURES AND BANK LOAN

The Company has covenanted to establish a sinking fund for the 6% Subordinated Debentures. As a result of redemption of \$317,800 of 6% Subordinated Debentures in previous years no sinking fund payments will be required in 1965. The 6% Subordinated Debentures are redeemable at principal amount plus accrued interest upon 30 days' notice. The 6% Subordinated Debentures have been specifically subordinated to the bank loan.

### 6. SHARE PURCHASE WARRANTS AND OPTIONS

The Company has outstanding 276,700 share purchase warrants entitling the holders to purchase shares of the Company's common stock as follows:

\$ 3.50 through June 30, 1966
\$ 4.00 through June 30, 1968
\$ 5.50 through June 30, 1970
\$ 6.50 through June 30, 1972
\$ 8.00 through June 30, 1974
\$ 9.00 through June 30, 1976
\$10.00 through June 30, 1978

During 1964, 450 share purchase warrants were exercised at \$3.50 per share.

The Company also has outstanding options granted in 1964 to one officer and two key employees to purchase 9,000 shares of common stock at \$4.00 per share, of which 3,000 were exercisable at December 31, 1964, and the balance are exercisable in 1965 and 1966.

During 1964, options granted in 1959, 1961 and 1963 to purchase 13,500 shares of common stock at \$2.65 per share and options granted in 1963 to purchase 1,500 shares of common stock at \$2.25 per share were exercised.

During 1964, 5,000 common shares were set aside under the provisions of the Employee Share Purchase Plan. As at December 31, 1964, employees had subscribed for 670 shares at a price of \$4.97 per share.



# LAKELAND NATURAL GAS LIMITED

## Auditors' Report

To the Directors  
LAKELAND NATURAL GAS LIMITED

We have examined the accompanying balance of Lakeland Natural Gas Limited as at December 31, 1964, the statement of surplus for the year then ended, and the statement of income for the five years ended December 31, 1964. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and related statements of surplus and income, together with the notes thereto, present fairly the financial position of the Company as at December 31, 1964, the changes in surplus for the year then ended and the results of their operations for the five years ended December 31, 1964, all in accordance with generally accepted principles applied on a consistent basis.

Kingston, Ontario  
March 1, 1965

THORNE, MULHOLLAND, HOWSON & MCPHERSON  
Chartered Accountants

# LAKELAND NATURAL GAS LIMITED

## Statement of Income for the Three Months Ended March 31, 1965

(With comparative figures for the three months ended March 31, 1964)

(unaudited)

	1965	1964
OPERATING REVENUE		
Natural gas sales.....	\$1,733,244	\$1,526,249
OPERATING EXPENSES		
Operations and maintenance.....	1,024,811	917,712
Depreciation.....	78,809	62,330
Taxes, other than income taxes.....	23,175	22,749
Total operating expenses.....	1,126,795	1,002,791
OPERATING INCOME.....	606,449	523,458
OTHER INCOME.....	40,085	28,966
GROSS INCOME.....	646,534	552,424
INCOME DEDUCTIONS		
Interest on subordinated debentures.....	100,233	100,233
Amortization of debt, discount and expense.....	2,818	2,818
Interest on bank loans.....	20,070	9,988
Total income deductions.....	123,121	113,039
NET INCOME.....	\$ 523,413	\$ 439,385

NOTE: All figures reported in the above three month statement of income are subject to such adjustments as the annual audit by independent accountants may disclose to be necessary.





# INDEPENDENT ACCOUNTANTS' REPORT

## TO THE SHAREHOLDERS

We have examined the financial statements of the Corporation for the year ended December 31, 1981, and we report that, in our opinion, the financial statements present a true and fair view of the financial position of the Corporation as at December 31, 1981, and of its performance for the year ended on that date.

The financial statements were prepared by management and we have not audited the accounting records or other supporting documents. It is the responsibility of management to ensure that the financial statements are prepared in accordance with the requirements of the Companies Act and the regulations made thereunder.

Yours faithfully,  
 [Signature]  
 Chartered Accountant

# INDEPENDENT ACCOUNTANTS' REPORT

TO THE SHAREHOLDERS OF THE CORPORATION FOR THE YEAR ENDED MARCH 31, 1982

THE FINANCIAL STATEMENTS WERE PREPARED BY MANAGEMENT AND WE HAVE NOT AUDITED THE ACCOUNTING RECORDS OR OTHER SUPPORTING DOCUMENTS.

IT IS THE RESPONSIBILITY OF MANAGEMENT TO ENSURE THAT THE FINANCIAL STATEMENTS ARE PREPARED IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT AND THE REGULATIONS MADE THEREUNDER.

1981 1982

\$1,701,100 \$1,701,100

1,000,000 1,000,000

70,000 70,000

25,000 25,000

1,100,000 1,100,000

400,000 400,000

25,000 25,000

1,100,000 1,100,000

100,000 100,000

2,000 2,000

10,000 10,000

100,000 100,000

1,100,000 1,100,000

1,100,000 1,100,000